FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,345 Wednesday June 13 1984 D 8523 B

How Trilogy's Irish supercomputer got bogged down, Page 19

NEWS SUMMARY

GENERAL

'Sikh deserters will be hanged'

SIKH troops who mutinied in protest at the Army's storming of the Golden Temple of Amritsar would be hanged if found guilty, a senior Indian general said.

Lieut-Gen T. S. Oberoi, Chief of Southern Command, said the army took a very serious view of the mutiny, although only 126 troops were involved in his region. "The mutineers will be tried and, if found guilty, will be hanged. No one dare revolt in the Indian Army," he said.

About 1,000 Sikh soldiers are believed to have been involved in sporadic rebellion across India. A Ministry of Defence spokesman would not confirm or deny this figure but said the revolt was over. Earlier story, Page 4

U.S. banking

Senior U.S. federal bank regulators clashed over proposals introduced into the Congress which would block banks from entering the securities business and close a loophole which allows non-financial companies to enter banking in several states at once. Page 8.

Moslem boycott

Several hundred delegates from Moslem states walked out of an International Labour Organisation meeting in Geneva addressed by Costa Rica's President Luis Alberto Monge, in protest against his country's moving its embassy in Israel to Jerusalem.

Comecon summit

President Chernenko opened a three-day summit with the Soviet Unions' nine partner countries in Comecon which is expected to try to reduce economic dependence on the West. Page 3.

Nato accused

Prague accused Nato of sponsoring a meeting – held in Munich on Monday – of Germans expelled from Czechoslovakia after the Second World War, saying it was linked to fascism and Nazism.

Anti-guerrilla course

Peru's police are receiving counter-insurgency training in Spain and other countries to help them combat guerrillas of the Maoist Sendero Luminoso (Shining Path) group, Interior Minister Luis Percovich said.

Italian politics

The death of Enrico Berlinguer, the Italian Communist Party leader, could have a major effect on next Sunday's European elections – and the survival of Italy's first Socialist-led Government. Page 2

Libyan capability

Libya was capable of exporting terrorism to the heart of America, Libyan leader Muammar Gadaffi said in a speech monitored in London. He referred to foreign press reports which, he said, reflected U.S. involvement in a plot to carry out sabotage and assassination in Libya.

Turkish tankers

The Turkish Government has told domestic shipping companies that Turkish tankers can sail to Iran's Kharg Island oil terminal in the Gulf at their own risk, shipping firms said.

Karami support

Lebanon's parliament gave Premier Rashid Karami's Government a 53-15 vote of confidence. Page 4.

Conductor dies

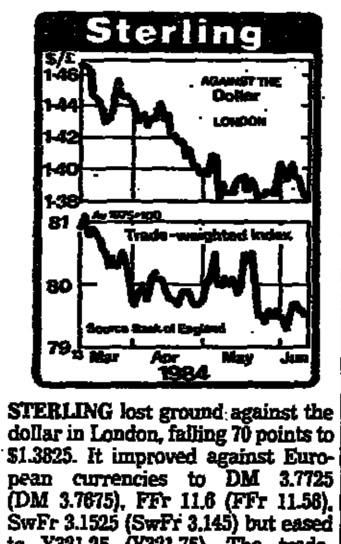
Janos Ferencsik, director of Hungary's State Orchestra and chief conductor of the Budapest State Opera House, died in Budapest aged 77.

BUSINESS

St Regis to buy Colonial Penn

ST REGIS, U.S. forest products group, is to acquire Colonial Penn Insurance Company in an agreed bid worth around $580m. Offer price of $36 a share compared with market price of $28¾ before trading was suspended.

WALL STREET: The Dow Jones industrial average closed down 5.08 at 1,110.53. Section III



STERLING lost ground against the dollar in London, falling 70 points to $1.3825. It improved against European currencies to DM 3.7725 (DM 3.7675), FFr 11.6 (FFr 11.58), SwFr 3.1525 (SwFr 3.145) but eased to Y321.25 (Y321.75). The trade-weighted index fell to 79.5 from 79.6. In New York it closed at $1.3843. Page 37

DOLLAR improved in London to DM 2.725 (DM 2.714), FFr 8.385 (FFr 8.335), SwFr 2.279 (SwFr 2.264) and Y232.65 (Y231.85). On Bank of England figures, its trade-weighted index rose to 131.0 from 130.4. In New York it closed at DM 2.7160, FFr 8.3550, SwFr 2.2715, Y232.30. Page 37

GOLD fell $6.50 on the London bullion market to finish at $371.50. In Frankfurt and Zurich gold closed at $375.00. In New York the Comex June settlement, was $374.40. Page 36

TOKYO shares ended a three-day rally with the Nikkei-Dow market average shedding 52.00 to 10,324.83. Section III

LONDON market turned lower with the FT Industrial Ordinary index down 4 at 834.1. Government stocks were marked down and the FT Gold Mines index fell 9.3 to 658.3. Section III

BRITISH AEROSPACE, UK aircraft and weapons group, firmly rejected £812m ($1.13bn) bid from electronics group Thorn EMI. Details, Lex, Page 18

NORWAY's biggest North Sea gasfield, Troll, contains a fifth less recoverable gas than previously believed, at 1,287bn cubic metres, the country's oil directorate said. Page 2

IBM, the U.S. computer group, says it will fight the anti-trust case brought against it by the EEC, which requires disclosure of technical details of its products as soon as they are announced, if necessary taking the case to a higher court.

METAL BOX, British packaging and central heating group, lifted pre-tax profits to £70.1m from £52.5m in the year to March 31. Page 22; Lex, Page 18

The editorial content of today's international edition has been restricted because of continuing industrial action by IG Druck und Papier at Frankfurter Societäts-Druckerei, where the edition is printed. This prevents the publication of late-breaking news, the final Wall Street report and closing U.S. over-the-counter and Canadian share prices.

Today's unit trust and London share prices and the FT-Actuaries tables may contain inaccuracies because of production difficulties in London.

U.S. steel industry wins key decision in imports battle

BY STEWART FLEMING IN WASHINGTON

The U.S. steel industry yesterday won a key victory in its campaign to curb imports of foreign steel when the International Trade Commission (ITC) decided by three votes to two that the industry has suffered serious injury as a result of steel imports.

The decision by the key government agency dealing with trade complaints means that in the run-up to the presidential election, President Ronald Reagan will have to decide what, if any, relief to grant the industry. It also raises serious questions over existing agreements, both formal and informal, which Washington has reached with foreign manufacturers to restrict their exports and may herald an intensification of international trade tension.

The EEC has made clear that it is profoundly concerned about the trade case which led up to yesterday's decision. It has warned that if the case was upheld it could lead the EEC to abrogate its export restraint agreement with the U.S.

No immediate action to limit imports will result from yesterday's decision but it puts into motion the mechanisms to provide the industry with relief. The next stage will be for the ITC to hold hearings next week to determine what remedy is appropriate. On July 9 the ITC will vote on the proposed remedy.

The ITC will then make a formal recommendation to President Reagan on what action should be taken. He must give a decision by September 24.

Bethlehem Steel, the second largest U.S. steelmaker and the United Steelworkers of America (USW), the industry trade union, are pressing for a decision to limit imports to 15 per cent of the U.S. market for five years. The U.S. President, however, has complete discretion concerning what, if any relief the industry should be granted.

The ITC decision yesterday follows a complaint under Section 201 of the Trade Act of 1974 which allows the U.S. Government to grant an industry protection from imports evenif they are not being sold at unfair prices in U.S. markets, provided imports are determined to be a cause of serious injury to the domestic industry.

Mr Alfred Eckes, chairman of the ITC, said after the decision was announced that he had found that the domestic steel industry was being injured by imports on 87 per cent of the $6.2bn of imports which came into the country last year. Included in the ruling are steel plate sheet and strip, structural shapes, wire and wire products, pipe and tube. Wire rod, railway-type products and bars were excluded from the decision.

Last year, steel imports accounted for 20 per cent of domestic U.S. sales and they have risen as high as 25 per cent this year, sparking demands for protection. The industry has been pushing a Bill in Congress which would cut imports to 15 per cent of the market, and yesterday's decision will have given supporters of that legislation new encouragement. Both Bethlehem Steel and the USW said yesterday that they would continue to press for the enactment of the Steel Bill.

W. European Union to pursue defence links

BY BRIDGET BLOOM IN PARIS

MINISTERS from the seven members of the Western European Union (WEU) have agreed in principle to push ahead with plans to strengthen Europe's contribution to the defence of the Western alliance.

The foreign ministers, meeting as a body for the first time in more than a decade, instructed officials to draw up concrete proposals for re-launching the WEU.

However, no decision will be taken on whether the WEU should be given new life until the ministers meet again, probably with the seven defence ministers in Rome in October when they celebrate the WEU's 30th anniversary.

Proposals for the reactivation of the WEU, which stems from the Brussels treaty of 1954, were first made earlier this year by France, with strong Belgian support. Britain and the Netherlands showed considerable scepticism while the other members – West Germany, Italy and Luxembourg – were officially interested if not committed.

At a press conference at the end of the one-day meeting yesterday M Claude Cheysson, the French Foreign Minister, said no decision had been expected. But he believed the meeting would prove "the beginning of the re-launching of the WEU."

The time was ripe to extend the areas of dialogue between European states, not in a spirit of anti-Americanism but to strengthen Europe's contribution to the Nato alliance, he said.

In this, M Cheysson appeared to have the broad agreement of his fellow ministers. Herr Hans-Dietrich Genscher, the West German Foreign Minister, and Sir Geoffrey Howe, the British Foreign Secretary, spoke in almost identical terms of the need (in the latter's words) "to strengthen the European pillar of the Atlantic alliance."

However, if the ministers were surprisingly unanimous in their desire for improved co-operation on defence, it was far from clear yesterday precisely what their effort would mean or how far it would go.

The ministers published the report of the working group of officials which yesterday formed the basis of their discussions. This is now apparently to be honed down into more concrete proposals for the revitalisation of the WEU.

The report sees the need for increased ministerial and official discussion of key defence issues which cannot be addressed in other organisations such as Nato or the EEC.

It lists the key issues as the "military, political and psychological threats" to Europe from the Warsaw Pact, problems which arise for European security in the non-Nato areas such as the Middle East, and the "need to strengthen transatlantic dialogue."

The report also suggests that the WEU could foster more concrete measures such as the collaborative production of arms, although Britain and the Netherlands are opposed to the proliferation of agencies in this field.

One result of a revival of the WEU could well provoke angry reaction from the Warsaw Pact. M Cheysson said yesterday there was general agreement that most of the original and now "archaic" restrictions on German re-armament – which the WEU was partly set up to control – could be removed in the near future.

Despite suggestions that British reservations have diminished over recent weeks, a number of European officials still doubt whether Britain would prove to be in favour of a re-launch.

Editorial comment, Page 16

Creusot rescue in balance

BY DAVID HOUSEGO IN PARIS

CREUSOT-LOIRE, the financially troubled French engineering group, was engaged in last-minute talks last night aimed at keeping the company from being placed in official receivership.

The group was due to have delivered a recovery plan to the Paris commercial court by yesterday afternoon under the terms of the debt moratorium granted by the court a month ago. But the deadline passed without Creusot-Loire, its creditor banks and the Government reaching agreement on a fresh rescue package.

M Didier Pineau-Valenciennes, chairman of Creusot-Loire and of the Schneider group, which is the dominant shareholder in the company, called a press conference at which he was expected to announce that Creusot-Loire would pass into the receivers' hands. But as a result of the resumption of talks, the press conference was postponed until this morning.

Earlier in the day, the Schneider group made known that it had rejected an overnight initiative by the Government. Under this plan, the banks would have lent Schneider FFr 500m of the FFr 800m ($96m), which the Government is demanding it provide in fresh capital to strengthen the group's equity base.

Schneider, which until now has claimed it was in no position to provide a fresh cash injection for Creusot-Loire, said yesterday that adding to its debts would not solve Creusot-Loire's problems.

Linked to the offer of a FFr 500m bank loan is a proposal by the banks that they take a stake in Schneider, which would give them both an inside view of its operations and access to its more profitable subsidiaries.

Schneider, which has always maintained a veil over its complicated cross-shareholdings, has no wish to allow the nationalised banks to have a holding in the group. Among Creusot-Loire's creditors are Société Générale, Credit Lyonnais, Banque Nationale de Paris and Indosuez.

Creusot-Loire needs FFr 3bn in fresh capital, according to its own estimates, and FFr 4bn according to those of the Government. Apart from the Schneider group's contribution, on which the Government is insisting, the other funds would largely come from a consolidation of existing bank loans and from the writing off of some debts.

Argentine plan to approach banks directly

BY JIMMY BURNS IN BUENOS AIRES AND PETER MONTAGNON IN LONDON

ARGENTINA WILL propose separate debt talks with commercial banks and government creditors if the International Monetary Fund (IMF) rejects its application for a $3bn loan, Sr Adolfo Canitrot, Under-Secretary for Planning, said yesterday.

"We still want to pay our debts and if the banks are realistic they will agree to negotiate rather than risk confrontation," he told the Financial Times. Sr Canitrot is one of Argentina's chief negotiators with the IMF.

His remarks came amid growing resignation in Buenos Aires over the likelihood that the IMF will reject the economic programme to reduce inflation and service its $43.6bn foreign debt set out in a letter of intent delivered to Sr Eduardo Wiesner Duran, head of its Western hemisphere operations, on Monday.

Sr Wiesner is expected to seek clarification of the Argentine plan before returning to Washington to discuss the proposals with Mr Jacques de Larosiere, the IMF managing director. The IMF has declined to give a verdict on the Argentine letter, but its proposal for a 6 to 8 per cent wage increase is known to be a major sticking point between the two sides.

An immediate problem, however, confronts the U.S. Treasury which must decide by Friday whether to extend its commitment to provide $300m bridging finance to Argentina under the terms of the emergency rescue package agreed last March.

A U.S. refusal to extend this commitment would be a clear signal to already nervous financial markets that the Treasury had given up hope of Argentina reaching an IMF agreement.

Commercial bankers say there is almost no chance of their reaching any agreement with Argentina without an IMF agreement. "The IMF is the keystone to a solution. You cannot allow a country to go around the IMF or you erode the whole framework of a solution," Mr Willard Butcher, chairman of Chase Manhattan, said in London.

With Argentina and its Western creditors thus apparently braced for a head-on clash, it emerged yesterday that President Raul Alfonsin ordered the signature of Argentina's letter of intent last weekend despite a last-minute intervention by Mr de Larosiere. The IMF chief telephoned Sr Bernardo Grinspun, Economy Minister, on Friday night

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Bid to overturn foreign debt default ruling, Page 8

Thorn EMI offers to invest in Inmos

BY GUY DE JONQUIERES IN LONDON

THORN EMI, the UK electronics group, yesterday entered the debate over the future of Inmos, Britain's state-backed microchip manufacturer, by offering to invest about £10m ($14m) to acquire a minority stake in the company.

Thorn EMI made its approach directly to Sir Malcolm Wilcox, Inmos' chairman. He said the offer – which would have to be approved by the British Government – was a firm proposal which his board would consider seriously.

Thorn EMI is understood to be seeking to acquire just under 10 per cent of Inmos by purchasing new shares which would be issued by the company. The British Technology Group owns 75 per cent of Inmos and the rest is owned by its founders and staff.

The Thorn EMI offer is understood to imply a considerably higher overall value for Inmos than was reflected in the recent £50m bid for the company's assets made by American Telephone and Telegraph (AT & T).

It would also value the company slightly more highly than the proposal to raise £30m through a private share placement with British and American investors, which the Government vetoed last week.

Inmos management are opposed to the AT&T bid because they believe it is far too low and fear that the U.S. company would abandon many of their commercial and technological objectives.

British Aerospace rejects Thorn, Page 18; European base for Sinclair, Page 14; Trilogy dream dies, Page 19

EEC farm production curbs hit sales of tractors

By Ian Rodger in London

FARM EQUIPMENT sales have plunged in Europe in the past few months, largely because of the shake-up in the Common Agricultural Policy.

Registrations of tractors, the most important type of agricultural machine, were down 30 per cent in West Germany in the first quarter of the year and down 15.2 per cent in Britain in the first five months.

In May, the first full month after EEC decisions to cut cereal prices and dairy output, British tractor registrations plunged 29 per cent.

"The market has gone dead since the EEC announced its plans for the dairy industry," Mr Chris Evans, economist with the British Agricultural Engineers' Association (AEA), said.

So far the figures from France and Italy, the two other major EEC markets, are not as dramatic as those from Britain and West Germany, but industry officials in those countries are expecting further deterioration.

In France, tractor registrations were 3.3 per cent up in the first quarter, but M Claude Rousselle of the Syndicat General des Constructeurs de Tracteurs et Machines Agricoles said this was against a very weak first quarter last year. The organisation is forecasting a 6 or 7 per cent drop for 1984 to 52,000 units.

In Italy, where the dairy sector is not so important, registrations were still off 3.8 per cent in the first quarter. This follows a 13.3 per cent slump last year. Unacoma, the Italian industry association, is hoping that sales will remain level this year at about 47,500.

The worst outlook appears to be in West Germany. Herr Gunter Gauch of Lav, the agricultural industry association, cited low farm incomes last year because of a poor harvest, as well as the dairy industry cuts, as causes of the sharp decline in sales of all types of machinery.

He forecast that tractor registrations would amount to only 38,000 this year "at the most," compared with 45,567 last year. Sales of other products would be down at least 10 per cent.

Mr Evans of the AEA doubted that the country's figures would end up as low as suggested by the May results. Although cereal prices were down, he believed that a bigger crop this year would help to sustain farm incomes. Farmers would also want to buy machinery before the capital allowance declined from 75 per cent to 50 per cent next year.

He forecast that UK tractor regis-

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CONTENTS

EUROPEAN ELECTION

Community election prospects have been changed by the death of Berlinguer, reports **James Buxton** in Rome

Demise of Italian coalition may be postponed as Craxi holds on

THE DEATH of Enrico Berlinguer, the Italian Communist Party leader, has thrown into even more uncertainty an already turbulent political situation in Italy. It could have a major effect on next Sunday's European elections, and thereby on the survival of Italy's first Socialist-led government.

Last week many people considered that the government of Sig Bettino Craxi was finished, waiting only till next week for its actual passing to occur. They failed to see how a government lacerated by the intense animosities that have been displayed in the past few weeks between the parties that compose it could stagger on. Had they been right, the first Craxi government would have lasted about ten months, in line with the average of post-war Italian governments.

Now everything looks even less predictable, partly because of the inevitable hiatus as a new Communist leadership takes over and partly because of the effects the last few days of saturation media coverage of Sig Berlinguer may have on the Communist Party in the European elections.

The basic tensions caused by only the third non-Christian Democrat prime ministership remain. Sig Craxi's prime ministership has been far from commonplace: by his actions he has seriously disturbed the delicate balance between the parties. The crucial act was the coalition government's decree of February 14 which cut the effects of the *scala mobile* wage indexation system.

No matter that the economic effects of this — one of the very few economic measures the Government had even attempted — are small. The point is that Sig Craxi went ahead boldly with the decree after the Communist trade unions had refused to make a voluntary agreement. What's more, he pressed on with the parliamentary battle to get the decree converted into law for four gruelling months in the face of ferocious opposition from the Communists inside and outside parliament, until the measure finally passed last Friday. By then, it was quite overshadowed by Sig Berlinguer's grave illness.

In a northern European democracy such as Britain, that determination might have seemed normal. But, in Italy, most legislation passes only with some degree of acquiescence by the Communists. The fact that they are in effect barred from government, despite their 30 per cent of the national electoral vote, undermines the perception of legitimacy of the five parties of the Centre-Left — the Christian Democrats, Socialists, Social Democrats, Republicans and Liberals — which have ruled Italy since the war in one pattern or another, and are all in the present coalition. Other things being equal, they have preferred to leave the Communists with them.

The Christian Democrats had no choice but to go along with Sig Craxi over the decree. But many of them, especially on the party's left wing, detested the unwonted confrontation and the rupture of what had often been cosy ties with the Communists — even though the confrontation and its intensity were the deliberate choice of Sig Berlinguer who was resolved to stop Sig Craxi at all costs. This effort may cost him his life through extra strain and exhaustion.

Both he and many Christian Democrats saw that the Socialist Party, although it won only 11.4 per cent of the vote in the general election last summer, could displace the Communist Party as the main party of the Left.

Both fear that the Socialist Party will gradually gain support at the expense of the communists, although, in the short term, its relatively conservative line pushes it on to the middle ground held by the Christian Democrats and the Republicans, the party of Sig Giovanni Spadolini.

A large Socialist Party would be far more awkward for the Christian Democrats than the communists, whom the Christian Democrats find simultaneously useful bogeymen to frighten the voters because of their, albeit dwindling, association with Moscow, and a party with which there is usually the chance of a deal. Already the Socialists are behaving a little like an alternative ruling establishment to that of the Christian Democrats.

The Socialist threat is not a short-term one, however, and might never materialise. After all, although he assumed the leadership in 1976, Sig Craxi had only levered the party's vote up by two percentage points by 1983. Besides, in recent months, he has shown himself almost as capable of a hot-headed blunder as of shrewd political manoeuvre. It should be remembered that there are factions in both the big parties that view Sig Craxi with some favour. But many Christian Democrats would breath much more easily if their own man were in the Palazzo Chigi—the prime ministerial residence.

The European elections were to have tested whether Sig Craxi's *decisionismo* — insistence on the right of the government to govern—has impressed or scared the voters, whether all-out Communist opposition to him had lost the party more friends than it gained, and whether the Christian Democrats could stop the fall in votes which occurred last June when they sank from 38 to 33 per cent—a collapse from which their morale and sense of purpose, under their uninspiring leader Sig Ciriaco de Mita has yet to recover. The election here is certainly not about Europe.

Now the Communists can reasonably expect a sympathy vote: everything in the past few days has conspired to remind the electorate of the seriousness, discipline and organisation of the Communist Party, and of the attractiveness of its last leader, something that tended to be overlooked recently. This feeling of sympathy is thought likely to outweigh the fact that the party not only lacks a leader or even an obvious candidate for the leadership, but also a coherent strategy for the next few years.

The other parties, which have virtually had to suspend electioneering, are worried: the Christian Democrats fear that the Communists could for the first time close the electoral gap with them, the Socialists that they might not after all gain from having their man in power.

If the Christian Democrats do badly they will be yet more insistent on regaining the prime ministership in an attempt to rectify the situation. But this always looked easier said than done: Sig Craxi, whose powers of statesmanship have been ringingly endorsed by President Reagan, never looked likely to be content with a minor role in a Christian Democrat led coalition. An arrangement of the kind mooted in recent weeks between the Christian Democrats and the Communists with a view to excluding the Socialists now looks particularly difficult to arrange with the Communists in discreet turmoil after the loss of their leader.

It is now perhaps more likely that Sig Craxi will stagger on as Prime Minister, even with a Government of slightly changed composition, postponing the real crunch. But it should also be remembered that Italian politics are unpredictable at the best of times, and that Italian politicians are unusually inventive when there seems to be an impasse.

These can be called strategic issues. The most vivid political issue of the last few weeks, that of the P2 masonic lodge, is of tactical importance—but it can still sweep away governments. The moment of truth should come in the middle of next month, when the parliamentary commission investigating the secret organisation—a national network of conspirators in high places who supposedly carried out dishonourable, dishonest and undemocratic deeds until the lodge's official dissolution in 1981—makes its final report.

Its leaked preliminary report has already seriously undermined the future of the present Craxi government by virtually confirming that Sig Pietro Longo, the Budget Minister, was indeed, like all the others whose names were found in the list of P2 members, a member of it. The departure of Sig Longo, who leads the Social Democrat party, which is closely aligned with the Socialists at present, could cause big difficulties for Sig Craxi. However, the Prime Minister has rejected Sig Longo's resignation, at least pending the final report.

When Sig Rino Formica, a leading Socialist and close to Sig Craxi, insinuated last week that Sig Giulio Andreotti, the Foreign Minister and a Christian Democrat, was the real instigator of the P2 lodge, many saw this as a counter-attack by the Socialists. Sig Craxi's party has done little to modify this intervention. With such an issue overlying a more profound turbulence, Italian politics are likely to be unusually explosive in the next few weeks.

Negri given 30 years' jail

TONI NEGRI, the university professor considered by the Italian authorities to be one of the main inspirations of left-wing terrorism in the 1970s, was yesterday sentenced in his absence to 30 years in jail for his complicity in the murder of two policemen and the kidnapping and murder of another man, writes James Buxton.

The sentence came at the end of a trial in Rome of 69 people accused of terrorism offences who were arrested on or after April 7 1979. All but 14 were sentenced.

In protest against the length of time in bringing the cases to trial Professor Negri, who taught at Padua University, was last year elected to Parliament in the lists of the left-wing Radical Party.

This brought him immediate release from prison under the rules of parliamentary immunity. But just before Parliament removed his immunity again he left Italy and is thought to be in hiding in France.

Candidates in two great west-facing ports struggle to imbue electors with Community consciousness

Sleek Hamburg turns its attention to strikes and smells

YOU CANNOT accuse the city fathers of Hamburg of not trying. They have turned the great entrance hall of the lowering grey *Rathaus* over to an exhibition celebrating three quarters of a millenium of links with countries to the West. There is also a helpful, prettily produced booklet telling the people of Hamburg why and how to find out all about the European election.

Alas, though, to little evident avail. True, may be 65 per cent of them, as elsewhere in West Germany, will turn out and vote this weekend. But their minds could well be elsewhere, and who is to blame them?

What should have been an election campaign has been neatly upstaged by the dispute over the 35-hour week; while election Sunday, June 17, just happens to be national unity day, commemorating the workers' uprising against Communism in Berlin in 1953—a moment when German eyes wander East, rather than West. More prosaically, the European election comes a poor third behind the two local issues most exercising minds in Hamburg.

Some of the blame must be shouldered by the politicians. "Everyone is agreed on the obvious things," says Herr Klaus von Donhanyi, the Social Democrat mayor of the city, whose party should again come out on top in Hamburg this weekend.

"But the real European questions, like a proper EEC development strategy and the environment, just aren't being debated. And I must admit the SPD has made a big mistake here. Probably we'll lose a bit in the European vote by being linked with the union campaign for a 35-hour week, which most people are basically against."

That is clearly the calculation of the ruling Christian Democrat party, which, with its Bavarian CSU sister, won a surprisingly high 49.2 share of the vote nationally in the first direct European election in 1979.

It has pitched its campaign on its success in turning the economy around, and never misses a chance of proclaiming that to give in to the metalworkers would ruin everything.

But Herr von Donhanyi is perhaps being a little unfair. For the environment of Hamburg is a strand in the two related arguments which presently generate most steam: industrial pollution, and the future development of the city. The trouble is that the EEC does not have much to do with either of them.

Hamburg has fattened and remains fat thanks to the Community. The division of Germany may have cost it a hinterland (the sealed border with the East comes to within 40 km). But since the Treaty of Rome in 1957, the share of the community in the business of West Germany's greatest port has jumped from 10 to 50 per cent.

Empty docks may testify to the decline of the shipbuilding industry. But the port itself provides only one in nine of

the 915,000 jobs in the city-state; while three times as many are employed by Hamburg's media and publishing establishment as gain a risky living in the shipyards.

Today the place outwardly exudes a sleek mercantile vigour and a faintly Victorian sense of arrogance at its own wellbeing. It is perhaps not just coincidence that two great Victorians, architect and engineer, were summoned to rebuild it after the fire of 1842. George Gilbert Scott put up St Nikolai Church, of which just one 482 ft neo-Gothic tower remains after RAF bombers flattened the rest, while William Lindley designed a new drainage and sewerage system.

If the great men returned to earth today they might have misgivings about the liberal slant of the local Press groups (or some of them), and the exuberance of some of the entertainment on offer. But Hamburg in the 1980s would almost certainly be closer to their hearts than any contemporary city in Britain.

Scratch the surface, however, and all is not so well. The cost of much industry crammed into a small place has been high in *terms of pollution*. A *dioxin* scare at a nearby chemical plant has produced talk of a second Seveso on Hamburg's doorstep.

Heavy rain and industrial effluent meanwhile now prove too much for even Lindley's sewers to cope with. A long spell of wet weather, and Hamburg's waterways can smell as foetid as Venetian canals.

And it is not only the radical Greens, who recently have come close to holding the balance of power in the city, who have benefited from the worries. The ruling SPD itself is split between industrialisers, anxious above all to provide new jobs, and those adamant that the main priority is to clean up what is there already.

Pollution is also an Eastern question. The Elbe is not just the lifeblood of Hamburg's port. It is also a very dirty river: "and to deal with that, we've got to agree with the DDR (East Germany) and Czechoslovakia," Herr Helmut Gelder of the powerful Chamber of Commerce points out.

Hardly surprisingly, the European conference most on many German minds is the one due to open in a fortnight in Munich, where countries from West and East Europe, including the Soviet Union, will gather to discuss environmental problems.

In the meantime the "whither Hamburg" debate is raging, most fittingly in the erudite columns of Die Zeit, after a demand by that most eminent city father of all, ex-Chancellor Helmut Schmidt, for "a new beginning" for the city.

To which his SPD comrade Herr von Donhanyi was last month stung to reply. His gist was that Hamburg was a lot better off than the snipers gave credit for and would get better still if people stopped writing critical articles and got down to the job in hand.

"I want to give this city a Janus face," says the mayor, "not just looking out towards the sea but inland as well." That basically means more service industries, more high technology (though Hamburg is not doing badly there) and closer collaboration with the poorer neighbouring states like Lower Saxony and Schleswig-Holstein.

All of which earns Herr von Donhanyi a pat on the back from the Chamber of Commerce, once the second, if not the first, power in the city. "We think he's keen to expand," says an official. "The problem is whether he's got the political majority behind him to do it." The showing of the Greens on Sunday may provide the answer.

Rupert Cornwell

Communist overture in Greece

By Andriana Ierodiaconou in Athens

MR CHARILAOS FLORAKIS, the leader of the Moscow line Communist Party of Greece (KKE), yesterday bid for an overt Communist role in government by offering to support the ruling Socialists on the basis of a consensus policy programme ensuring Greece's disengagement from the Western economic and strategic camp.

He was speaking to thousands of supporters gathered in Athens' red bedecked central Syntagma Square, for a rally rounding off the European election campaign.

The European Parliament election is being treated like a general election in Greece and Mr Florakis's offer will acquire a great deal of meaning if the Socialists, who came to power in 1981, do not pull off a solid majority.

The KKE has been making overtures to the Socialists for some time. But these have generally been coolly met. A Communist role in government is a tricky issue in Greece, which experienced a *bloody civil war between 1945* and 1949 which was won by the Right and which secured Greece's role in the Western camp.

Mr Florakis accused the Government of failing to be tough enough with the "economic oligarchy" and for failing to close down the U.S. military bases in Greece and withdraw the country from Nato and the EEC.

The Socialists signed a defence agreement with Washington last autumn, ensuring the presence of the bases for another five years. They have claimed the bases will then be removed.

But Mr Florakis said the agreement was not enough. He also rejected a memorandum submitted by the *Socialists to Brussels calling* for greater protection for Greek industry and more money for development.

The Communists are fighting the European election campaign with a clear "No" to the Community.

Thin support for Merseyside's three-way European cup tie

EVERYONE SEEMS to agree that Miss Gloria Hooper, the Conservative candidate for Merseyside West, is a very nice person. She even speaks a string of European languages, which leaves her supporters quite breathless with admiration. And she has a thoroughly respectable record of campaigning for Euro-cash for her constituency, sorely hit by recession.

She won the former seat of Liverpool and Bootle against all the odds in 1979, thanks to one of the lowest turn-outs in Europe. This time she has had two good Tory boroughs — Southport and Crosby—thrown in for good measure.

Yet Miss Hooper will be extremely fortunate not to come bottom of the poll in the three-way fight tomorrow, if the last local election results are anything to go by.

Mr Ken Stewart, an unemployed building worker for 20 years a Liverpool city councillor, is her Labour rival. He should walk it. For Labour Party candidates in the municipal elections polled 102,000 votes in the area, against 86,000 for the SDP-Liberal Alliance, and only 62,000 for the Tories.

Nothing is quite clear-cut, however, in Merseyside politics. Perhaps the only certainty is that only a tiny fraction of the 500,000-strong electorate, getting on for one in five of whom is out of work, can see Europe as being at all relevant to their lives—beyond the much-coveted shape of the European Cup, nestling on the shelves of the Liverpool Football Club. Of those who can see a wider connection, the great majority is convinced that its effect has been almost entirely negative.

In 1979, the seat had the dubious distinction of one of the lowest polls in Britain, at about 27 per cent, with the Westminster constituency of Liverpool Riverside winning the wooden spoon. Only nine per cent of its voters turned out, and legend has it that one ballot box was found to be completely empty after 15 hours of polling.

The man who is upsetting any straight fight between Tory and Labour is Mr Paul Clark, the very epitome of a rising young Liverpool Liberal, eight years a city councillor by the age of 31, a former chairman of the social services committee, and one who rather resents the tag of a "pavement politician."

He sees his task as being to ensure a solid turnout of his Liberal and SDP supporters, while inducing a hefty defection of Tories through tactical voting. They would be determined to do down the Labour candidate, whom they all regard as a pillar of the hard-Left Labour establishment which now dominates the Liverpool city council.

"Liverpool in 1979 and Liverpool in 1984 are totally different places," Mr Clark maintains. "The Tory vote has plummetted because of the devastation of the area, and because the Conservative government appears to offer us nothing. They used to have 28 Tory councillors—now they are down to 13.

"As for the local Labour Party, it is controlled by the Militant Tendency, and the militants are prepared to bankrupt the city, just to take on Margaret Thatcher."

For the Liberals, the deciding factor will be whether you are for or against the city council in its apparent determination to approve an illegal budget, and thereby force a confrontation with the Government. To be sure, there is the question of jobs, and what Europe can do for the chronic economic decline of the area, and the Liberals have a fistful of European policies, and proposals for reform, but that is hardly going to get the voters to the polls.

For Mr Stewart, the election is above all a chance for voters to show their disgust with Mrs Thatcher's government. The chance to register their dismay at the way the EEC has accelerated the Merseyside depression comes a poor second.

"Last time we lost this election by default," he says. "This time there is going to be a big protest against Mrs Thatcher. But people are also starting to realise just how much European policies affect them."

He cites the case of the Tate and Lyle sugar refinery, closed with a loss of about 3,000 jobs because of the slump in European sugarcane imports. Then there is the whole direction of European trade away from the long-range, deep-sea traffic on which the prosperity of Liverpool was built.

Mr Stewart stops short of an outright anti-Market line. "The only problem we have is that our supporters are not Market supporters, so they don't want to come out and vote for Europe," he admits. "The impetus is coming from people who are anti-Thatcher."

Meanwhile, brave Miss Hooper is campaigning on a platform of what the EEC has done for Merseyside, and what she has done to help—which all seems to fall on deaf ears.

"Liverpool has benefited greatly from European grants," she maintains, reeling off a list of projects from the Garston by-pass to the maritime museum. "Then the real success story has been on social funding. We have had a good share intended for job-creation schemes. Merseyside has had 45 per cent of all the EEC funds coming to Britain for voluntary schemes."

It is hard to get the message across. The local media are showing little interest, and not a single member of the press turned up when the three candidates held their one joint debate.

The truth is that, on Euro-policies, there is a lot of common ground between the candidates—they all want Merseyside to qualify as an area for "integrated operations," a coveted status for the most depressed regions in Europe, enjoyed hitherto only by Naples and Belfast.

Then there are schemes which might attract EEC funds. Prominent among them is the one for a Mersey barrage, which would generate hydro-power, provide a new river crossing, clean up the river and, above all, create jobs during its construction.

Yet the deciding factor in this three-way marginal is not the issues—local, national or European—but apathy.

If Labour can push the turn-out up to about 40 per cent, then Mr Stewart should be home and dry. Somewhere about 30 per cent, the Liberals could be in with a chance. Only if there were massive abstention, as in 1979, would Miss Hooper get back to Strasbourg to continue her good work.

Quentin Peel

EUROPEAN NEWS

Growth of Swedish industrial output sustained by export sector

BY KEVIN DONE, NORDIC CORRESPONDENT IN STOCKHOLM

INDUSTRIAL output in Sweden is expanding more rapidly than expected earlier this year, and is outpacing that of most other European countries, according to a survey carried out by the Federation of Swedish Industries.

The production of manufactured goods is likely to grow by 5.5 per cent in 1984. The expansion is being sustained by the strong performance of Sweden's export industries, which are enjoying the advantages both of improved international competitiveness — through the devaluation of October 1982—and the economic upturn abroad.

Export sales are expected to increase by 6.5 per cent in volume. Domestic demand is still weak however and companies selling chiefly to the home market have seen little comparable improvement in their fortunes.

The federation said that the investment plans of the business sector are "remarkably expansive." Industrial investment is expected to rise by about 20 per cent, although the recovery has begun at a low level. A further increase of 30 to 35 per cent would be needed before the level of 1975 were reached.

Key sectors of Swedish industry are suffering from a growing shortage of labour—principally skilled workers—as the recovery strengthens. Unemployment, however, is still close to the highest level since 1945.

In a recent survey of Sweden's 250 largest industrial enterprises, about a third said they were suffering from a shortage of labour and more than half of these reported a shortage of technical staff.

Partly because of the demand for skilled workers, the federation expects labour costs to increase by 7.5 to 8 per cent this year, with a rise of 8 to 8.5 per cent in hourly pay rates.

The jump in production levels is causing a strong climb in productivity this year, however, with an expected improvement of as much as 5.5 per cent. That would help to slow the erosion of the country's international competitiveness, caused by the continuing high rate of inflation.

New orders to Swedish industry rose by 6 per cent in volume. In the three months February through April, compared with the equivalent quarter of 1983, according to the Central Statistical Office here.

Polish pledge on political prisoners

By Christopher Bobinski in Warsaw

THE HUNGER strike by Mr Jacek Kuron, an imprisoned Polish dissident awaiting trial, will not affect negotiations between church and state on freeing political prisoners, the Government said yesterday.

He is demanding either his freedom or the setting of a trial date. He and ten other detainees last month, refused an offer of freedom in return for a promise to avoid political activity for 2½ years.

Mr Kuron's action and an outspoken letter by Mr Adam Michnik, another imprisoned dissident, gave rise to fears that the authorities would go ahead with the trials.

The government statement makes this less likely and officials privately admit that forced exile for the 11 is now out of the question.

Portuguese inflation fell 0.9% in May

By Diana Smith in Lisbon

THE INFLATION rate in Portugal dropped by 0.9 per cent in May—the first decrease in more than a year.

The improvement has been greeted with relief by the coalition government, which hopes to bring inflation for this year down to about 23 per cent.

The drop in May was due, above all, to lower food and beverage prices: these fell by 2.1 per cent.

The price of potatoes, vegetables as a whole, eggs and soft drinks decreased by 52.4, 26.4, 7.2 and 1 per cent, respectively. These items are not subject to price controls, and trade officials feel that the new competition in food prices is helping the consumer.

The decrease last month brought the annual inflation rate to 30 per cent.

Norway cuts estimates of Troll gas field reserves by a fifth

BY FAY GJESTER IN OSLO

NORWAY'S LARGEST North Sea gasfield, Troll, contains one fifth less recoverable gas than previously believed, the country's Oil Directorate said yesterday. New reserves estimates for the field were published in the annual report of the Directorate, which is the advisory arm of the Oil Ministry.

Even after a 20 per cent reduction, however, the field remains a giant one—more than six times the size of the Anglo-Norwegian Frigg field, which currently supplies about a third of Britain's gas.

The Directorate now puts recoverable reserves at 1,287bn cubic metres—462bn on the western part of Troll and 825bn on the eastern. A year ago, it estimated that 1,600bn cubic metres of gas could be recovered.

The new figures reflect the results of wells drilled during the past year on east Troll, where exploration drilling started only last summer.

Troll could be an import source of gas for Western Europe in the late 1990s and the early part of the next century—if Europeans are willing to pay the necessary price. Its gas will be costly to extract because of technical problems; deep water, difficult seabed conditions and strong currents.

Shell is operator on the western part of the field, for a group of companies including Statoil, Norsk Hydro, Conoco and Superior. The licences for east Troll (which overlaps three blocks) are held jointly by Norwegian oil companies—Statoil, Norsk Hydro and Saga—with each having operator responsibility on one block.

● Two milestones in the development of Norway's continental shelf were passed early this week. Statfjord C, third production platform on the Anglo-Norwegian Statfjord field, was placed on site, and work was completed on the world's longest underwater pipeline, the 840 km Statpipe gas-gathering line.

The last weld on the pipe was finished last Monday, three years and a day after the Norwegian Storting (Parliament) approved the NKr 20bn (£1.85bn) scheme.

FINANCIAL TIMES, USPS No 190640 published daily except Sundays and holidays. U.S. subscription rates $420.00 per annum. Second class postage paid at New York, NY and at additional mailing offices. POSTMASTER: send address changes to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

West German engineering union calls more strikes

BY RUPERT CORNWELL IN BONN

IG METALL, the 2.6m-strong West German engineering union, has called a new round of warnings and protest strikes to coincide with the restart today of the deadlocked negotiations over a shorter working week.

The one- and two-hour stoppages will take place around Stuttgart, where the talks between IG Metall and Gesamtmetall, the engineering employers' association, resume and in the state of Hesse, the other main theatre of strikes and lock-outs.

More than 300,000 workers are expected to be involved in Hesse alone and the unions will use the occasion to sound out feelings on the shop floor about how the campaign for a 35-hour week should continue.

The dispute is now into its fifth week. About 400,000 workers, mainly in the virtually paralysed West German car industry, have been made idle by strikes, lock-outs or lay-offs for want of parts.

The previous round of discussions broke up with some ill-feeling on Friday, after the employers had flatly rejected amended union proposals for a phased and conditional introduction of the 35-hour week by 1989.

The argument now hinges on the refusal of Gesamtmetall to countenance any across-the-board cut in hours. The association is sticking to its offer of a two-stage move to a 38-hour week—but only for an estimated 850,000 shift-workers.

Last night both sides were refusing to budge. There is every sign that the employers are now determined to grind down the resistance of the union, however long that might take.

The strikes which have been intermittently disrupting the German press for the past two months are continuing, despite negotiations in that sector.

Patrick Blum adds from Vienna: The Austrian plant of BMW at Steyr halted production and laid off 1,000 of its 1,300 workers yesterday as a result of the labour dispute in West Germany.

The company was already on short time last week. The remaining 300 employees will deal with administration and maintenance. The plant produces diesel and conventional six-cylinder engines for several BMW models, and supplies engines for Ford of the U.S. Most of the 110,000 engines produced annually goes to BMW in West Germany.

R and D spending set to rise 6%

BY JONATHAN CARR IN FRANKFURT

WEST GERMAN spending this year on research and development is likely to rise by nearly 6 per cent in nominal terms to DM 50.4bn (£13.4bn). But the rate of increase in at least two key competitor countries, the United States and Japan, will be higher still.

This emerges from figures released by the Frankfurt offshoot of the international Battelle Institute, the private, contract research organisation.

The Battelle Institute notes that the West German spending boost (which will probably amount to around 3 per cent in real terms, after allowing for inflation) is higher than in 1983. But it stresses that big efforts are still needed to match the main competition.

U.S. research and development spending is expected to rise by a real 3.7 per cent in 1984, after increasing by some 4 per cent in real terms in each of the last five years. In Japan, two-figure nominal rates of increase have long been achieved annually (between 6 and 8 per cent in real terms) and a similar boost is likely this year too.

Despite this trend, the Battelle figures also show that West Germany is still devoting more funds as a percentage of gross national product to research and development than are its two big rivals. The West German share this year will probably be 2.8 per cent, while that of the U.S. and Japan 2.6 per cent each.

Nearly DM 30bn or almost 60 per cent of the West German 1984 spending total will come from industrial enterprises, DM 12.5bn from the federal government and more than DM 7bn from the provincial states. Since the mid-1970s the trend has been for industry to put up an ever-higher slice of overall research spending.

Banker sees danger in international credit rise

By Our Frankfurt Correspondent

A CALL for new international efforts to control monetary growth in the Euromarkets has been made by Dr Helmut Schlesinger, vice-president of the West German Bundesbank.

Unless this were done the hard lessons already learnt in the debt crisis could prove to have been in vain, he told an audience of monetary officials in Zurich last night.

Dr Schlesinger's comments were felt to be surprising since most public discussion has concentrated on how far commercial banks may be able to maintain their lending to deeply indebted nations.

However, the Bundesbank official stressed that he saw the real danger instead in another big growth of international credit, with most of the risks being loaded on to the debtor.

If it were true, Dr Schlesinger said, that international banks were already pressing new credit offers on relatively solvent developing countries, then this would confirm his fears.

Dr Schlesinger agreed that a gradual consensus was emerging that the Euromarkets, from whence most of the credit came, should be subject to greater scrutiny by banking supervisory authorities.

But still lacking was real control over the markets' liquidity growth—such as that which central banks could exercise over the national banking system through minimum reserve requirements.

The Euromarkets should not be left to control their own monetary growth since inter-bank competition automatically led to excessive monetary expansion there.

Aid for French car-makers urged

BY PAUL BETTS IN PARIS

THE TWO large French car-making groups — the state-owned Renault and the private Peugeot—must raise a total of about FFr 20bn (£1.78bn) a year to finance the investments they nee?) remain competitive in the world car market.

But the current financial weakness of the two groups will require much greater financial support from the French Government for domestic industry.

This is the main conclusion of a report on the French motor industry released yesterday by the authoritative official state advisory body, the Economic and Social Council.

The report also says that two out of every three salaried workers in the French car industry will have to be retrained and transferred to other work before the end of the decade. The report goes on to refer to a recent survey by the French state statistics institute, Insee, which suggested that the car industry will have to shed about 80,000 jobs by 1988.

The report paints an alarming picture of the French motor industry, the performance of which has steadily deteriorated during the last five years. Since 1979—a record year for French car production, exports and registrations — the industry's market shares have shrunk at home and abroad. The French car producers sold 500,000 fewer cars in Europe last year than in 1979.

The council is most concerned about the finances of the two main car producers, especially since it coincides with a financial recovery among most leading Westen car makers.

Betwen them, the two groups lost FFr 4bn last year and have debts of about F?? 60bn, or the equivalent of nearly 30 per cent of their accumulated annual sales. Annual debt service takes FFr 7bn, or about 4 per cent of turnover.

The French government must intervene with fresh aid to enable the industry to recoup its declining competitiveness, the advisory council argues. It also warns the government against adding more fiscal burdens on the industry. Value-added tax on French car sales is already at 33 per cent.

Communists want more ministerial posts

BY DAVID HOUSEGO IN PARIS

EARLY SIGNS of the intense political manoeuvring expected to follow the result of the European election in France emerged yesterday with indications from Communist party leaders that they would like one or two more ministerial posts in the Government.

The party's ambitions were staked out by M George Marchais, the Communist leader, in deliberately provocative remarks in an interview. "If we had one or two" ministers more (in addition to the four already in the Government) "I would be satisfied," he said. He added, however, that most important was for the Communists to emerge strong from the election in order to make their influence felt on the administration.

M Marchais's growing confidence stems from the belief that the Communists will recover ground in the election, while the Socialist proportion of the vote will fall heavily from the peak achieved in 1981. On the basis of this narrowing gap, he hopes to extract further concessions from the Government.

He has already predicted that there will be a cabinet reshuffle shortly after the election to replace M Pierre Mauroy as Prime Minister. Most political observers believe any changes are more likely later in the year.

President Francois Mitterrand has a crowded agenda over the next three weeks which makes a reshuffle before the end of the month unlikely. He flies to Moscow next week for his first visit to the Soviet Union as President and on June 25-26 plays host to the EEC summit

In addition, government changes in the wake of the European election results could be viewed as a tacit admission of defeat. M Mitterrand would probably also prefer that M Mauroy carry the burden of the mass march in Paris on June 24 in support of private education. The opposition is attempting to transform the march—in which a million people are likely to take part—into a popular rally against the Government.

Cyprus seeks UK help to end deadlock

BY ANDRIANA IERODIACONOU IN ATHENS

MR SPYROS KYPRIANOU, the Cypriot president, is to renew a call for British help in trying to resolve the deadlock over Cyprus in a meeting with Mrs Margaret Thatcher, the UK Prime Minister, in London next Monday, according to Cypriot government officials.

Britain briefly took the front stage on the Cyprus problem last November, when the Turkish Cypriot community on the island unilaterally declared independence in the Turkish occupied northern sector.

London proposed a tripartite meeting between Britain, Greece and Turkey, the three guarantors of the 1960 independence agreement which ended British colonial rule in Cyprus.

This idea was rejected by Greece, since when British involvement has died down.

Mr George Iacovou, the Cypriot foreign minister, said in Athens yesterday that what the Kyprianou Government was hoping for was that Britain would work through Ankara to induce a more conciliatory attitude on the part of Mr Rauf Denktash, the Turkish Cypriot leader.

There has been disappointment in Nicosia with both Britain and the U.S., for failing to persuade Ankara and Mr Denktash to accept a compromise formula presented by Sr Javier Perez de Cuellar, the United Nations secretary general, last January.

The formula was designed to break the post-UDI deadlock by suggesting that the Turkish Cypriots freeze the implementation of the independence decision in exchange for an agreement by the Greek Cypriots not to raise the Cyprus issue before international organisations.

Chernenko opens summit

BY DAVID BUCHAN IN LONDON AND LESLIE COLITT IN BERLIN

PRESIDENT Konstantin Chernenko yesterday opened a three-day summit meeting with the Soviet Union's nine partner countries in the Comecon trading organisation, which is expected to try to decrease economic dependence on the West.

Communist party leaders from nine of the 10 Comecon countries are taking part in the summit, the first on Comecon business only since April 1969. President Fidel Castro of Cuba has stayed at home and sent instead Vice-President Carlos Rafael Rodriguez, perhaps indicating Havana's view that aid for the three less developed members — Cuba, Vietnam and Mongolia — will not figure prominently on the agenda.

Despite its historic nature, Comecon's first summit for 15 years was launched in a virtual news blackout. Soviet media merely reported, without television coverage, that Mr Chernenko opened the proceedings, after a silent tribute by the party leaders to Enrico Berlinguer, the Italian Communist Party leader who died on Monday. Ironically, Berlinguer had become a champion of Eurocommunism, distancing himself from Moscow.

The fanfare may be saved for tomorrow, when documents will be signed and a final communique issued. Mr Chernenko forecast last week that the latter would show "tangible results." Two member countries yesterday made clear what would be tangible results for them.

Romania, in its party newspaper, Scinteia, urged the conclusion of "long-term agreements and contracts" on deliveries of Soviet energy and raw materials to allies in Europe. While all the eastern European members of Comecon want better guarantees of supplies from the Soviet Union, Romania has the additional handicap of having to pay for Soviet oil with goods of western export quality.

The Scinteia editorial, timed for the summit opening, indicated that, without such long-term agreements, the "better co-ordination of plans" urged by Moscow would not be possible.

Meanwhile, Hungary noted that the Soviet Union was not the only Comecon member with goods "of strategic value." Hungarian farm products, which the Soviet Union is so eager enough to acquire that it pays for them partly in U.S. dollars, require "more and more energy and investment," according to a Radio Budapest commentary. The Soviet Union has been telling the rest of European Comecon to invest more in the Soviet resource sector if it wants assured deliveries.

Gandhi arrests two leading Sikh moderates

BY JOHN ELLIOTT IN NEW DELHI

THE Indian Government moved quickly yesterday to stop leading Sikh politicians inciting opposition to its Punjab policy. It arrested two senior members of the Sikh's Akali Dal Party under special security laws that permits detention for up to two years and has already been used to apprehend over 3,000 suspected extremists in the past 10 days.

One of the politicians, Mr Prakash Singh Badal, a former Punjab chief minister, said on Monday that the Government had "declared war" on the Sikhs. He called for a day of prayer next Sunday and opposed talks with the Government.

The Defence Ministry believes it has gained control of the situation in the Indian army where up to 1,000 Sikhs are believed to have been involved in desertions from three units over the past few days. The third break-out occurred in the eastern state of Tripura yesterday.

Meanwhile the Government has tightened security at airports and on internal airline flights and has increased the number of road blocks round New Delhi.

Mrs Indira Gandhi, the Indian Prime Minister, is trying to ensure support among political parties for the Golden Temple and for the political initiative she must at some stage launch to reach an agreement with Sikh leaders on the underlying Punjab problem.

The Government now has almost all major Sikh political leaders in prison following the arrest yesterday of Mr Badal, and another Akali Dal leader, Mr Surjit Singh Barnala, former Agriculture Minister in the 1977-79 national Janata government.

At some stage the Government has to decide how to bring these Sikh leaders together from their different places of imprisonment so that they can sort out their leadership and policies. But in the present mood of hostility, rapid moves towards talks seem unlikely.

The major desertion in the army occurred in the state of Bihar and is believed to have involved a large number of young recruits on initial training courses who may be merely dismissed, instead of being court martialled, unless they have committed civil offences such as murder or theft. The Defence Ministry is playing down the extremist motivation of most of the soldiers involved whom it is describing as "misguided."

It is anxious not to let the unrest spread widely among Sikhs in the army, and has launched a lecture campaign backed by photographs of the Golden Temple to try to persuade the soldiers that the temple is not damaged.

The Government announced yesterday that a total of 3,038 people have been arrested so far in the general army action throughout the Punjab, of whom 1,770 have so far been screened. None has yet been released.

Philippine minimum daily wage increased by 18%

BY EMILIA TAGAZA IN MANILA

PRESIDENT MARCOS of the Philippines yesterday announced an 18 per cent increase in the minimum private sector daily wage from 44 to 52 Pesos. The move is designed to cushion the impact of the stiff austerity package worked out by the Government with the International Monetary Fund.

Observers say the increase was a political necessity for Mr Marcos, whose Government is faced with growing numbers of restive workers and consumers. The immediate reason for the increase was last week's float of the peso which led to a 22 per cent devaluation of the currency.

It was the third exchange rate adjustment in a year, and has set off a new round of increases in prices of oil products and basic commodities which threatens to push inflation much higher than the current rate of 40 per cent.

Kuwait shuttles oil outside war zone

By Our Foreign Staff

KUWAIT IS using its own ships to take its oil to foreign owned tankers waiting outside the Gulf officials of the Kuwait Petroleum Corporation confirmed yesterday.

The Kuwaiti tanker Kazimah (294,000 dwt) was damaged on Sunday by an Iranian air attack when returning from a shuttle voyage to the Gulf of Oman. The service by Kuwait relieves purchasers of its oil of some of the burden of high insurance rates.

The Kuwait Oil Tanker Company, owned by KPC, has 23 ships of which five can carry crude oil. These could be used to carry oil from Kuwait to the mouth of the Gulf and other vessels chartered by KPC to carry the oil onwards to Kuwait's refineries in Europe.

In Bahrain, Mr Yusuf Shirawi, the Development and Industry Minister, emphasised that each of the Arab oil states in the Gulf will be responsible individually for compensating oil buyers for any loss of cargo incurred as a result of Iranian attacks on tankers. The aim of the scheme is to prevent Gulf oil being priced out of the market by high insurance rates.

Meanwhile foreign ministers of the six-nation Gulf Co-operation Council met in Saudi Arabia yesterday in a renewed bid to fend off spill-overs of the Iraq-Iran war and ensure a smooth supply of crude oil to world markets.

The Council groups Saudi Arabia, Kuwait, the United Arab Emirates, Bahrain, Qatar and Oman in an economic integration and collective defence pact.

Officials of the GCC secretariat said the twice postponed conference was to be held in Taif, and would deal primarily with means of defusing the Gulf crisis through diplomacy.

In Kuwait, at an emergency cabinet session Kuwaiti ministers formally accused Iran of rocketing a Kuwait oil tanker west of the Hormuz Strait.

The Kuwaiti Government notified the United Nations Security Council of the Iranian "aggression" on the 294,739-ton tanker Kazima

OVER 100 KILLED AND 250 WOUNDED IN BEIRUT SHELLING

Parliament backs Karami after day of terror

BY NORA BOUSTANY IN BEIRUT

THE STREETS of Beirut were deserted yesterday as the Lebanese parliament gave a vote of confidence to the Government of Prime Minister Rashid Karami by 53 votes to 15.

The vote came a day after one of the worst days of shelling in Beirut's history in which some 105 people were killed and 250 wounded.

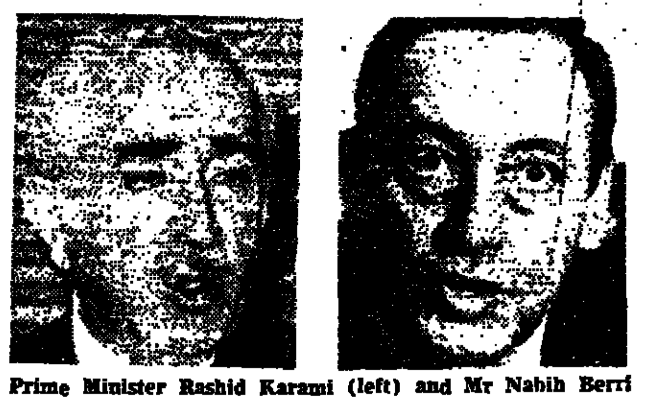
The most horrific scene was in the West Beirut residential quarter of Zarif where the blood stained bodies of four civil defence workers and three men from the fire brigade lie on the ground. Next to them lay the corpse of Lebanese photographer, whose last pictures were reproduced in yesterday's papers.

The escalation of the violence on Monday was the climax of several week's deterioration in security in mainly Moslem West Beirut. Almost 1,000 people have been killed or wounded since April 30 when Mr Karami first formed his cabinet.

Moslem leaders say that initiative in starting the shelling has been taken by Christian militiamen opposed to Karami's pro-Syrian Government. The Christian militia says that the Shiah Moslem militia Amal has increased tension in order to get greater powers for its leader Mr Nabih Berri.

Moslems hold Gen Tannous responsible for bloody attacks on the mainly Shiah Moslem suburbs and Druze strongholds in the Lebanese mountains last February.

Mr Berri and his ally Mr Walid Jumblat, the Druze leader, Minister of Tourism, Transport and Public Works, are insisting on the removal of Gen Ibrahim Tannous as commander-in-chief of the army. Officers loyal to Tannous, a Christian Maronite, last month warned the president they would not react favourably if their commander was removed



Prime Minister Rashid Karami (left) and Mr Nabih Berri

David Lennon adds from Tel Aviv: Disagreement on most key issues characterised the first meeting in Jerusalem yesterday between Mr Javier Perez de Cuellar, the UN Secretary General, and Mr Yitzhak Shamir, the Israeli Prime Minister.

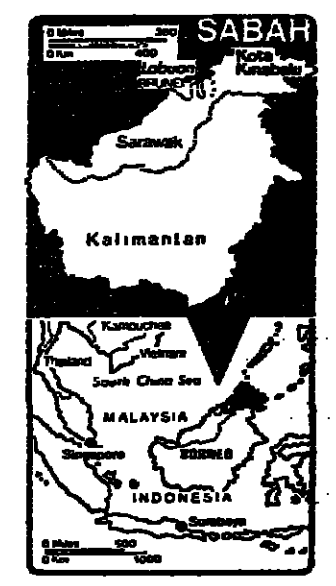
Mr Shamir rejected Mr de Cuellar's call for an unsponsored international conference on the Israeli-Arab dispute, saying that it would quickly degenerate into an anti-Israel forum. Direct negotiations between Israel and its Arab neighbours was the only way to resolve the problems, the Premier said.

Meanwhile, one south Lebanese villager was killed and another wounded when an Israeli army patrol opened fire on a crowd opposing its attempts to arrest some villagers.

The clash occurred in Burj Rahhal, a Shia moslem village seven kilometres north east of Tyre. The Israel army spokesman said the soldiers, who went to the village late on Monday night to arrest some suspected guerrillas, were attacked by a large crowd.

Chris Sherwell reports on a symbolic turning point for Sabah

Malaysia seeks to tame its Wild East



A SMALL but important step was taken by the Malaysian government last month to make the oil and timber-rich state of Sabah, on the northern tip of Borneo, seem less different from the rest of the country.

The island of Labuan, a free port in Brunei Bay, was made a federal territory—similar in administrative terms to the area around Malaysia's far-off capital, Kuala Lumpur.

The transfer was concluded in a colourful ceremony presided over by Dr Mahathir Mohamad, the Prime Minister, and Sabah's mercurial chief minister, Datuk Harris Mohammed Salleh, a wealthy figure who hails from Labuan. Untrumpeted internationally, the change marks a symbolic turning point for the state, dubbed the "Wild East" because of its lively politics and racey style of business.

Sabah is nothing if not different. Here a person from peninsular Malaysia can feel like a stranger in his own country because he needs travel documents to get in and a permit to work.

Here, too, in the area known for centuries as "The Land Below the Wind" because it offered shelter from typhoons for ships plying the old trade routes, it is possible to see dozens of laid-up super-tankers moored quietly off Labuan in the calm of Brunei Bay.

Or, dominating a silent bay outside Kota Kinabalu, Sabah's capital, a 30-storey steel-and-glass government skyscraper, cylindrically shaped and chopped at its base to represent an almost-felled tree-trunk, set on its own against a backdrop of wooded hills.

But Sabah's differences go further. Ethnically, it stands in sharp contrast to peninsular Malaysia: not all Moslems are Malays, many indigenous people are Christians.

Economically, Sabah has a disproportionate share of the country's petroleum resources and plenty of its timber wealth. Rubber and oil palm are grown, as elsewhere in Malaysia, but Sabah is also a focus for the country's efforts to become a world-beating cocoa producer and a tea producer.

Perhaps unsurprisingly, Sabah's 1m people have often felt neglected or exploited by distant Kuala Lumpur, identifying more easily with nearby Indonesia or the Philippines in economic and ethnic terms. Labuan's change of status establishes a stronger central government presence in Sabah, binding the state closer to the federation as a whole.

Labuan's elevation to federal territory status also means the central government will shoulder the financial burden of completing the island's multi-billion dollar industrialisation programme, based on offshore natural gas. The programme is a key feature of Datuk Harris's bid to make Sabah a political and economic entity to be reckoned with in Malaysia.

Labuan has three major gas utilisation projects, costing a total of M$1.25bn (£420m)—a methanol plant, a hot briquetted iron plant, and a power generation plant. They will use some of the associated gas presently being wastefully flared offshore, and are due to start up this year with gas piped from Shell's Erb West and Samarang fields in a new undersea grid.

The 730,00-tonne-a-year iron plant, which will convert imported ore by direct reduction into sponge iron, is the least attractive economically because the market is far from certain at prices which would yield a profit. The 600,000-tonne-a-year methanol plant looks better because of a marketing arrangement with an outside company.

Such diversification is designed to offset the continuing dominance of oil and timber in Sabah's economy. Oil, though a federal preserve, is expected to yield M$100m in royalties in 1984 under a standard sharing arrangement with the central government in which Sabah receives 5 per cent of the total. Revenues ten years ago were just M$4m.

Timber royalties are even larger, and are expected to provide M$775m, or 63 per cent, of the state government's revenue in 1984. One-third of all approved capital investment projects over the past 15 years have been for the wood industry. The next is a large pulp and paper mill, part of a vast M$1.2bn integrated project.

All this frantic development has exposed weaknesses in Sabah: local people's reputation for laziness, shortages of skilled labour, over-inflated prices, petty corruption. Even Datuk Harris has been accused of benefiting personally and excessively from sales of land for some of Labuan's key projects. But the development has also buttressed his position—and recently he received some timely assistance from Kuala Lumpur as well, in the form of the Prime Minister, with whom he has good relations.

Last month, in an apparent departure from Malaysia's unique style of consensus politics, Dr Mahathir, as head of the multi-party National Front coalition which rules the country, drummed out the United Sabah National Organisation (Usno), one of its two Sabah components.

The other—Datuk Harris's own Berjaya party—had sought this action ever since it ousted Usno and its notorious leader, Tun Mustapha Harun, in 1976. Usno put its foot wrong during last year's constitutional controversy over the powers of the Malaysian king, and also argued strongly against making Labuan a federal territory.

Dr Mahathir's angry retaliation is a boost for Datuk Harris, though his party is said have attracted numerous Usno defectors and is not expected to lose by-elections due this week in several local constituencies.

WORLD TRADE NEWS

Why Gatt lacks international clout

BY CHRISTIAN TYLER, RECENTLY IN GENEVA

STRICTLY SPEAKING, there is no such institution as the Gatt, which is one reason—if not the most important—why present demands for tougher policing of the international free trade system will be hard to satisfy.

The General Agreement on Tariffs and Trade is just what it says: a non-binding contract between countries. It came into force in 1948 and today numbers 90 signatories. The contract is legal only in the sense that Gatt principles have been enshrined in many countries' own legislation.

Durable as the Gatt has proved, it does not have the clout of, say, the International Monetary Fund, nor does it have the staff and resources of an IMF. If countries decide to flout Gatt rules or to ignore the judgments of its arbitration procedure there is not much anyone can do about it.

It is easy to forget as you enter the sombre portals of the secretariat's lakeside home in Geneva, that the Gatt is really, constitutionally speaking, only a book of rules. Designed in neo-Egyptian brutalist style, the headquarters, which housed the Internatonal Labour Organisation until the ILO grew too big, reeks of institutional life. With its trim lawns and spreading yews, it might easily be mistaken for a sanatorium for the creeking pensioners of some state bureaucracy.

This chill grandeur encloses a small team of well-educated and well-paid economists and administrators attended by middle-aged secretaries (many of them English) and a flock of typists. There are only 330 employees in all, of whom a third are "professionals"—fewer than in the publications department of the IMF. According to Gatt officials themselves, the smallness of the orgnisation is a virtue: but it means some of them are very overworked.

Recruitment is by public notice and internal promotion is subject to minute scrutiny by a budget committee. It can cost more to get the budget committee together to debate a pay rise for a typist than to pay the rise itself.

The secretariat is a small and shy beast, constantly alert to the danger that a wrong step could divide the fractious family of nations upon whose goodwill the system depends. Officials would like a higher profile, as some recent speeches of the normally bland director general, Mr Arthur Dunkel, seem to suggest. At the least, they would like the world to know that they are doing good by stealth.

But money is tight. The Gatt has a budget of SwFrs 51m (about U.S.$23m) compared with the IMF's $183m for 1,600 staff and the OECD's $62m for 2,000 staff. Wages account for nearly two thirds of Gatt expenditure.

GATT officials have given a cautious welcome to the communique issued at the end of last weekend's London Economic Summit, writes Anothony McDermott in Geneva.

The declaration urged continued resistance to protectionism, renewed efforts to lower barriers to international trade in services, manufactured goods and commodities, and acceleration of trade liberalisation programmes initiated by the November 1982 Gatt ministerial meeting. It also stressed the need to build on this work with a view to "decisions at an early date on the possible objectives, arrangements and timing for a new negotiating round."

Modest though it tries to be, the Gatt secretariat does not escape controversy. Developing countries complain of an Old World or Western world bias: They say the Gatt is better at enforcing the rules against them than against the EEC or the U.S. The ambassador of an Asian country reportedly told Mr Dunkel recently — it was meant as a joke—that the boot would be on the other foot when the Asian Gatt was set up.

Even North-South tensions can be submerged by the interminable combat between the U.S. and the EEC in and out of the GATT's conference chambers. The Americans have acquired a reputation for litigiousness and lack of professionalism, too.

That makes it too easy for the EEC to win battles even if they lose cases. As a former Brazilian ambassador to Geneva put it: "The Europeans play like violins, the Americans like the timpani."

Such differences of style only compound what is perhaps the Gatt's most serious weakness—the disputes settlement procedure. When disputes reach the stage of an arbitration panel, there may be long arguments about jury selection. There have even been instances of what amounts to jury-nobbling. GATT officials would prefer to establish a permanent list of arbitrators from which names could be picked.

When a panel sends its report to the supreme body, the Council, for action, the litigant countries are present. And since the Council operates by consensus, not majority voting, a country can not only challenge the verdict, but refuse to accept the penalty.

The other complaint to be heard in Geneva relates to the director general himself. There is a strong feeling that Mr Dunkel spends too much time away from the City and makes too many speeches. "He should stay here and mind the store." said one embassy official. "It's really a very serious problem."

Canada to increase Japanese car quotas

By Bernard Simon in Toronto

CANADA HAS agreed to raise its quota on Japanese car imports by 8.5 per cent to 166,000 vehicles for the year to March 31 1985 with a further increase to 170,400 units if the domestic market expands significantly.

The pact follows several months of deadlocked negotiations, which were broken, according to Mr Gerald Regan, Canada's Minister of International Trade, by recent Japanese decisions to invest in the Canadian motor industry. Honda has announced plans for a C$100m (£55.5m) assembly plant north of Toronto, while various Japanese motor and components manufacturers have set up a joint company to explore local production possibilities.

Although the quota has been increased in absolute terms, the Japanese share of the Canadian car market will probably fall slightly this year. Passenger car sales in Canada totalled 843,300 units in 1983, with Japanese models accounting for 21 per cent. The Japanese share was 25 per cent the previous year.

Under the new arrangement Japanese manufacturers' share will be limited to around 18 per cent. The higher quota of 170,400 vehicles will apply only if total Canadian sales "substantially exceed" 917,000 units.

According to Mr Regan, Canadian and Japanese officials will meet next January to determine whether the ceiling should be lifted above 166,000 vehicles.

Canada's restrictions on car imports, in force for the past three years, are a particularly sore point with Japan, since Canada is one of the few industrial countries which enjoys a trade surplus with Japan. An official of the Japan Automobile Manufacturers' Association said yesterday that the industry hoped that 1984-85 will be the last year of quotas. However, Mr Regan told reporters that he favours an extension of the restrictions beyond next March.

One result of the quotas is that dealers selling Japanese cars in Canada have begun to import a higher proportion of large expensive models to maintain profit margins. Smaller, more popular Japanese cars have been in short supply.

World oil prices likely to fall over next six years, says BP

BY IAN HARGREAVES

REAL OIL prices are more likely to fall than to rise in the next six years, but beyond that time rising oil demand will again make the world increasingly dependent upon supplies from the Middle East.

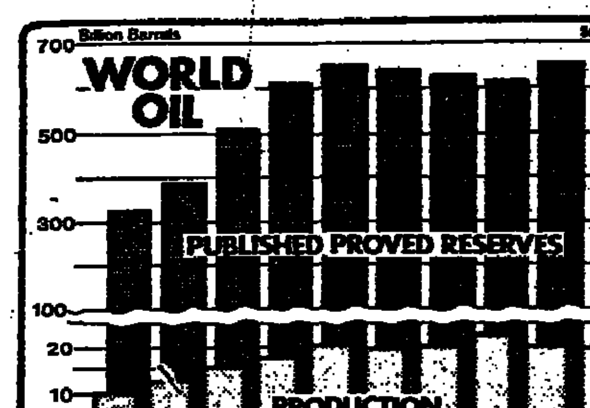
This was the burden of a series of forecasts made yesterday by Mr James Ross, chief corporate planner of British Petroleum, in introducing the company's annual review of world energy trends.

Mr Ross said that he expected economic growth of 3.5 per cent this year in the OECD area and that this would translate into a 2 per cent-plus increase in energy demand and a 1.7 to 2 per cent rise in oil demand.

Barring major and unforeseen political catastrophe, he argued that the price of oil was unlikely to rise in real terms before 1990 "and it probably won't rise much in nominal terms."

Looking to the turn of the century, he said BP was working on a 10 to 15 per cent probability factor that oil prices in the year 2000 would be unchanged in real terms from today's levels, even though by that time Opec would be supplying an increased proportion of the world's oil.

Last year, world oil consumption levelled out, after four years of sharp decline. Demand was higher in the centrally planned economies, but 3.1 per cent lower in Western Europe, where consumption of 586m tonnes was the lowest since 1969.



BP's figures, however, suggest that contrary to some impressions, the world is continuing to find more oil than it is consuming. The ratio between reserves and production last year was 33.4—that is at 1983 rates of consumption, proven reserves would last 33.4 years.

This ratio, fractionally higher on a global basis than in 1983, varies widely from country to country. The worst position is in the U.S., where the ratio is 9.1 and falling. Western Europe has a ratio of 18.7, the UK of 15.3 and Saudi Arabia of 86.9. Another country with a reserve depletion problem is the Soviet Union, which has 13.9 years of proven reserves.

In the downstream sector, refineries continued to close last year. Capacity fell by 3.7 per cent worldwide to 76m b/d, but throughput was only 54.8m b/d, the lowest figure since 1975, indicating that a heavy surplus of capacity still exists. Additions to Middle East refining in the next year will make this position worse.

The biggest cuts in refinery operations last year were again in Western Europe, which saw its capacity fall by 7.3 per cent to 16.7m b/d.

BP Statistical Review of World Energy. Public Affairs Department, BP, Britannic House, Moor Lane, London EC2Y 9BU.

Moscow wants Norway's offshore help

BY FAY GJESTER IN OSLO

THE SOVIET UNION could become an important market for Norwegian offshore-related products and services, but will insist on guarantees that deliveries are not threatened by political boycotts.

It would also like to link its purchases in this sector—on favourable credit terms—with sales of Soviet oil and gas. To achieve this kind of package, a consortium of companies from several Nordic countries, not just Norway, may have to be established.

This was made clear by Soviet delegates to a meeting here of the Norwegian-Soviet mixed economic commission, which seeks to promote trade between the two countries. The group, comprising about 25 representatives of each nation, meets once a year, alternatively in Moscow and Oslo.

ECGD to raise credit cover on sales to Mexico

LONDON — The Export Credits Guarantee Department (ECGD) has been authorised to increase the amount of medium-term cover it provides for British exports to Mexico, Mr Paul Channon, the British Trade Minister, told an Institute of Directors meeting yesterday.

He declined to be more specific but bankers said the increase was in the area of 10 per cent, or hundreds of millions of pounds.

Mr Channon said the rise in medium-term cover reflects the economic progress made by Mexico and he expressed hopes that more could be made available in future years.

He said the Government would hope to increase export cover for all debtor countries which successfully adjust their economies.

Other industrial countries are expected to take a similar line on export cover for Mexico, which was repeatedly praised at last week's economic summit, British Government sources said.

They said the ECGD has been faced with increased demand for export cover for Mexico as the country's economic prospects have improved.

Reuter

Institute of Directors conference, Page 14

S. African air fares may be undercut

By Jim Jones in Johannesburg

AIR FARES between South Africa and Europe could come under pressure if talks to be held today in Manzini between the independent Israeli airline, Maof, and the Swazi authorities lead to direct scheduled flights between Manzini's Matsapha airport and Tel Aviv.

Preliminary indications are that Maof will schedule weekly flights out of Swaziland by Boeing 707 starting September 3. The flights are aimed at attracting South African travellers to Europe and Israel who are at present obliged to pay full Iata rates.

South Africa, taking its lead from the national carrier South African Airways, has consistently refused to allow regular cut-rate flights to and from the country.

At present a normal economy return ticket between Tel Aviv and Johannesburg costs R1,828 (£1,015) flying South African Airways or El Al. Maof proposes to charge R849 return between Matsapha and Tel Aviv. Return connecting flights from Jan Smuts Airport to Matsapha cost R105.

Tenders for all-Egyptian car delayed

By Charles Richards in Cairo

EGYPT HAS extended the closing date for tenders to build an all-Egyptian car from June 15 to July 31, according to the state-owned El-Nasr Automotive Company (Nasco).

When 11 companies were invited to tender for the design and manufacture of a small 1,000 cc car and a medium-sized car of 1,500 cc on April 16, it was expected the tender date would be extended. The never hasty decision-making process in Egypt has been slowed further by the recent preoccupation of ministers and senior officials with the May 27 parliamentary elections, followed immediately by Ramadan, the Moslem month of fasting, and the traditional post-Ramadan month's holiday for senior officials.

For their part the 11 companies invited to tender wanted more time to prepare their bids.

The companies are Peugeot and Renault of France, Volkswagen of West Germany, General Motors of the U.S. (through their German subsidiary Opel), Fiat of Italy, Seat of Spain, Toyota, Mazda, Honda and Nissan of Japan, and Austin Rover of Britain.

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Lease financing. We arranged more than $1 billion in equipment value of big-ticket lease transactions in 1983. In aircraft leasing alone, we captured more than 40 percent of the market.

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Futures. Our new subsidiary, BT Futures Corp., is a major participant in the interest rate, currency, and precious metals futures markets. BT Futures executed over $150 billion worth of contracts in 1983.

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Nancy Dunne reports on the background to proposed legislation

Washington grasps the immigration nettle

THE THOUSANDS of illegal immigrants who pour undetected over U.S. borders each day join a subculture of millions, many exploited by employers and menaced always by the threat of discovery. For years Congress has debated their plight and searched for a means of imposing at least minimal control over the country's frontiers.

The settlers' unauthorised presence creates an emotional and thorny dilemma. An "open arms" tradition is strong in this nation built by immigrants. Yet there is also a traditional distrust of new "incoming hordes," who many feel create or intensify local crime, welfare and unemployment problems.

Legislators who have wrestled with the problem for years believe the time is ripe for immigration reform—the first in 50 year. Little hope existed for a concensus during the recession when 10m Americans were out which competed for the remain- of work and "cheap labour" ing jobs was creeping, swimming and being smuggled into the country.

Now, the recovery has made passage possible for a set of carefully fashioned proposals, the outgrowth of hundreds of Congressional hearings and meetings with the various interests involved. The proposals, already passed by the Senate, are being hotly debated on the House floor this week. They offer the following approach to immigrant issues:

- An amnesty programme would grant retroactive legal status to an estimated 2-4m illegal immigrants who have already settled here.
- An employer sanction provision establishes a series of fines, as much as $1,000 per alien, to be imposed upon those who knowingly hire illegals.
- A legal immigration quota is set at 425,000 per year.

‘The recovery has made passage possible for carefully fashioned curbs’

The Senate Bill also seeks to ease and eventually cut the flow of "guest workers" who cross the border temporarily for seasonal jobs, like harvesting crops. And it establishes a pilot visa waiver programme, which would allow tourists from eight countries (expected to be mostly European) to visit the U.S. without visas if they are staying for less than three months.

Basically, the legislation is a series of carefully-crafted trade-offs which, regardless, produce a welter of mixed emotions and a great deal of controversy. Many black leaders oppose the amnesty provision because they believe illegals take jobs which would otherwise go to their constituents.

Labour likes the penalties imposed on employers who hire illegals, but dislikes the guest worker programme. Many states want willing, low-paid workers but not an increase in their welfare population.

To Mr Alan C. Nelson, commissioner of the Government's Immigration and Naturalisation Service, the amnesty programme is "a realistic and humane response to a circumstance which we intend not to allow to recur in the future."

To Mr Thomas F. McMahon, executive director of the pressure group Environmental Fund, the Government, by granting amnesty, would set a precedent suggesting that future pardons would be granted.

The employer sanctions are vital, according to the Rev Theodore Hesburgh, co-chairman of the nationwide Citizens' Committee for Immigration Reform, to "demagnetise" the attraction for those who come to the U.S. to work. Business argues, however, that such sanctions shift the responsibility for illegal immigration from the Federal Government to employer who may not be able to spot the fraud.

To please civil libertarians, the legislation fails to establish a national identification system, unless after three years the President determines that one is needed. The verification procedure, therefore, might be as simple as checking the validity of a retail credit card or a drivers license.

‘Opinion polls show broad support for immigration reforms now’

The Hispanic community, the fastest growing immigrant group in the U.S., is divided over the legislation but has been unable to mount support for any alternative. Many community leaders are particularly opposed to the employer sanctions and believe they will result in increased employment discrimination towards all Hispanics.

Mr Arnold Torres, executive director for the League of United Latin American Citizens, another pressure group, says the potential for increased job discrimination is particularly worrisome to the Hispanics in view of the Administration's disinterest in civil rights enforcement.

The ultimate result, Mr Torres worries, may be "an extraordinary adventure involving intrusions and searches and sweeps. Finally the employer who has been busted a number of times is going to say 'I will never go through that again, I will never hire another person who looks foreign'."

Despite the opposition, the Bill has broad bipartisan support by legislators who believe the many compromises offer an imperfect but workable package. However, its passage has been fraught with political problems.

The Bill has been postponed several times by House Speaker Mr Tip O'Neill, who last year derailed the legislation fearing that the President would change his mind and not sign it so as to gain. Hispanic support in the November presidential election. This year he delayed the *bill repeatedly and only finally* agreed to bring it up after the California primary.

Numerous public opinion polls show broad public support for immigration reform. It is principally the growing political power of the Hispanics in many states with large numbers of electoral votes, that gives the politicians pause.

But for many involved in the issue, the time has come to act.

U.S. bid to overturn foreign debt default ruling

By William Hall in New York

THE U.S. Government has thrown its weight behind a bid to overturn a controversial U.S. court decision which appeared to leave commercial banks without legal recourse if a foreign country unilaterally alters terms or stops payment on its debt.

The Government has submitted a statement to a Federal Court in New York supporting a rehearing of an earlier court case which ruled in favour of three Costa Rican banks which defaulted on a $5.2m (£3.7m) loan from a syndicate of 39 banks in 1981. The court argued that as Costa Rica's actions which led to the default were "consistent with the law and policy of the U.S., their validity should be recognised in U.S. courts."

International bankers have been concerned that the precedent set by this case, if upheld, could encourage other debtors to default on their obligations and leave the banks with little protection. Mr Anthony Solomon, president of the Federal Reserve Bank of New York, said last month that the decision would "significantly complicate international lending if it were to remain unmodified." He has been one of several senior banking officials who argued that the ruling was unlikely to be upheld during subsequent reviews.

The U.S. Government has challenged the decision and says that the appeal court's opinion "is based on an inaccurate understanding of the policy of the U.S."

The statement says the decision introduces "significant uncertainties into the process of making and interpreting international financial agreements." and notes that it could discourage banks from making new loans

One lawyer said at the time of the April ruling on Costa Rica: "As the decision now stands, any foreign nation could arguably unilaterally determine to defer repayment of its debts, claiming that it is in an economic crisis and in effect be protected from judgment in our courts."

Bankers yesterday welcomed the Government's decision to support their plea for a rehearing.

Clash over proposal intended to block bank ‘loopholes’

BY STEWART FLEMING IN WASHINGTON

TOP FEDERAL bank regulators clashed yesterday over proposals introduced in Congress which would block banks from entering the securities business *and close a legal loophole allow*ing non-financial companies to enter banking in several states at once. The proposals were introduced by Mr Fernand St Germain, chairman of the House Banking Committee.

Volcker . . . endorsed plan

In a written testimony to the committee, Mr Paul Volcker, chairman of the Federal Reserve Board, expressed strong support for elements of the legislation which would prevent banks and savings institutions from entering the securities dealing business. He also put the Fed solidly behind the basic thrust of the Bill, which aims to close the legal *loophole allowing so-called* "non-banks" to branch across state lines and be controlled by commercial companies which are not themselves covered by banking laws.

But while Mr Volcker generally endorsed the proposals, Mr C. T. Conover, the Comptroller of the Currency, strongly attacked them. He objected to the overall thrust of the Bill which he said "represents an attempt to turn back the clock in a way which would weaken the banking industry and be detrimental to consumers."

Mr Conover told the committee he strongly opposed one of the Bill's provisions, which would limit banks activities in the business of discount brokerage.

On this issue, both Mr Conover and Mr Volcker agreed, and Mr Volcker was also critical of the failure of the Bill to address the question of what new powers banks should have to diversify their operations. But while Mr Volcker backs the idea of giving banks some new powers, he is making it plain they should be permitted the broad range of diversification which many bankers have been pressing for.

Mexico announces curbs on basic utility charges

THE MEXICAN Government in a bid to alleviate the effects will lower telephone charges and freeze gas and electric rates of inflation on workers, the Treasury Department announced on Monday, AP-DJ reports from Mexico City.

The Treasury Department said the measures will mean a loss of about $39m in Government income.

The action cancels monthly price rises that were scheduled to take effect on July 1 in residential gas and electric bills. Those utility charges will be *frozen until the end of the year,* the Treasury Department said.

Mexico's electric company is run by the Government, gas companies are privately owned, but the Government sells gas to the companies and thus is able to control prices.

companies and thus is able to

The Mexican telephone com- will reduce its basic rates by 10 per cent.

A Treasury Department official said the actions were meant to offset the rising costs of basic goods and services. Last week, Banco de Mexico, the National Bank, announced that prices had risen by 25.8 per cent in the first five months of the year. That is the equivalent of a 62.4 per cent annual inflation rate. However, union leaders maintain inflation is actually much higher than official figures show.

On Monday, a 20 per cent cost-of-living increase went into effect, raising the minimum wage from pesos 680 a day to pesos 816 (£3.16) a day.

Union leaders have said the increase in not enough to help the average worker burdened by skyrocketing prices

Jamaica credit conditional on rescheduling

By Canute James in Kingston

THE INTERNATIONAL Monetary Fund has told Jamaica that it must complete a programme of rescheduling its loan repayments before it is given access to credits it is seeking.

A Government statement said the IMF had agreed in principle to give the island credits of $143m (£102m), made up of $87m in a standby facility and $76m to compensate for shortfalls on export earnings.

This is considerably less than Mr Edward Seaga, the Prime Minister and finance minister, had said the country would get. In November, he said that an agreement had been concluded with the fund for $180m in a standby facility, which would be effective in January.

Brazil Social Democrats split in leadership contest

BY OUR SAO PAULO CORRESPONDENT

BRAZILIAN Congressman Sr Paulo Salim Maluf has virtually split the pro-Government Democratic Social Party in his attempt to win the party's nomination as its candidate to succeed President Joao Figueiredo. An electoral college controlled by the PDS is to choose the successor to Sr Figueiredo, whose term of office runs out next March.

Sr Maluf's latest confrontation with senior PDS officials has resulted in a strengthening of *his own position within the* party, but the party as a whole has emerged from the episode in a weaker position

Last week, Senator Jose Sarney, PDS national chairman, proposed to change the rules by which the party will pick its candidates to the presidential succession. Instead of selection by a party convention scheduled to meet in September, Senator Sarney proposed a form of primary election.

Sr Maluf, a former Governor of Sao Paulo State, claims to have been promised the support of the large number of the 783 delegates who are to vote in the convention. But he would have had little or no chance of gaining the approval of the 28,000 or so PDS politicians who would have taken part in the *primary elections.*

When the 15-member PDS national executive met on Monday morning to vote on Senator Sarney's proposal, noisy Maluf supporters packed the meeting which ended when Senator Sarney announced his "irrevocable" resignation.

Nicaraguan election date ‘firm despite hostilities’

BY TIM COONE IN MANAGUA

THE NICARAGUAN elections in November for a President, Vice-President, and 90-member National Assembly are to go ahead as planned, according to a Government official yesterday. Rumours circulating in Managua that they are to be postponed until January 1985, "are without any foundation whatsoever," she said.

Last week, Sr Gustavo Tablado, a Socialist Party leader and co-ordinator of the faltering three-party alliance, led by the ruling Sandinistas, in the country's legislature, suggested that the date of the election should be put back because of the growing war being waged inside the country by U.S.-backed guerrillas.

His remarks prompted speculation that an official postponement of the elections was about to be announced. However, over the weekend, one of the top nine Sandinista leaders, Sr Victor Tirado, reiterated the Government's commitment to the November 4 election date, saying: "It is illogical to think that the war that the U.S. has imposed upon us would disappear between November and December."

TECHNOLOGY

EDITED BY ALAN CANE

HOW RESEARCH ORGANISATION AIMS TO HELP AUSTRALIAN FARMERS

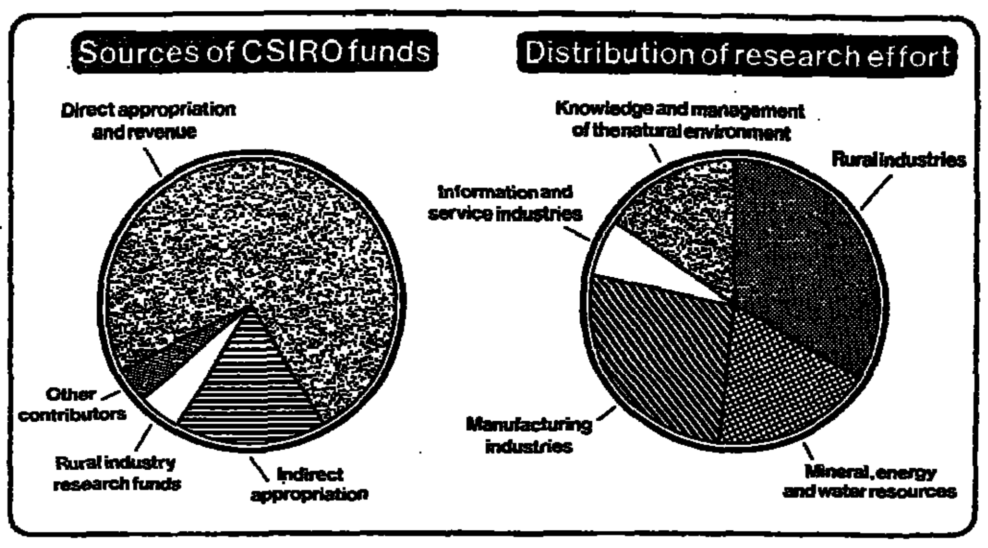
Textiles research must pay off

BY ANTHONY MORETON, TEXTILES CORRESPONDENT

DR DON TAYLOR has a sign on his desk which he eagerly brings to the attention of visitors to his office in Geelong, some 60 miles outside Melbourne. It says: Discovery is Exciting—but it must be Commercial.

This admonition, which is intended as much for himself and his staff of around 225 as for his visitors, encapsulates the approach towards research which is carried out at Australia's main textile research institute.

Dr Taylor is chief of division, a slightly clumsy title which is meant to differentiate him from the chiefs of the other two textile-oriented divisions within CSIRO, the Commonwealth Scientific and Industrial Research Organisation. But it is in his division that most of the process applications of textile research in Australia are undertaken.



CSIRO itself coordinates all Government scientific research in the country. It was founded as an independent statutory corporation in 1949, succeeding the Council for Scientific and Industrial Research, which had been established 23 years earlier and is organised into five operating institutes—those of animal and food sciences, biological resources, physical sciences, energy and earth resources and industrial technology. Textile research falls within this last division.

Textile work itself is divided into three parts: protein chemistry in Melbourne; textile physics in Sydney; and Dr Taylor's industry division in Geelong.

This division of responsibility is historic and to the outsider seems unnecessary, especially as protein chemistry is increasingly undertaking work more to do with pure chemistry than with textile chemistry. There is a textile side to its work, on the structure of the wool fibre, for instance, but a lot of its work is now devoted towards plant proteins, leather, biotechnology and influenza viruses.

The textile physics division originally dealt with the physical properties of the fibre, such as how it would react to water. This approach has changed in recent years and it is now much more concerned with work on objective measurement.

A decade ago, for instance, every bale of wool used to be opened for inspection by the buyer, involving enormous labour costs. Now, the buyer is guaranteed the quality of the wool and all he needs is a sample for inspection. Work being undertaken by the division could even lead to the possibility of complete sale by description. The buyer would not then see or feel a sample, he would accept the description and quality as presented to him.

Such a step may be some way off but it is one which is being actively canvassed within the industry in Australia and if it comes about would be as a result of the work undertaken in Sydney.

Geelong's work has always been at the sharp end of the business, at the interface with industry. It is therefore involved with wool processing and with improving wool as a product from the consumer's point of view. Since wool is an internationally traded fibre, and 97 per cent of Australia's wool is exported, Geelong and Dr Taylor work closely with the International Wool Secretariat's development centre at Ilkley in England.

"Our first and essential aim is to assist the Australian wool grower," Dr Taylor says. "After all, CSIRO was set up to help Australia's primary and secondary industries.

"But since so much of our wool is exported we are probably unique in that we are also helping the local industry to help overseas woollen industries. This is inevitable because so much wool is processed overseas.

"Our work here may make it easier for the wool industry in Italy to function, for instance. But we see our job as promoting wool. Not everyone in Australia likes or accepts this. They would like to develop a manufacturing industry here.

"Whatever we do, though, we are helping Australia because we are contributing towards the improvement of wool as a product."

That improvement in wool is not merely with the fibre. Some of Geelong's recent work has been in packaging. Dirt in a fleece is natural; it is also costly to remove.

Dirt can get in to the fleece not only while on the animal's back but also during the journey abroad. If this aspect can be kept under control production costs can be reduced.

Bales of wool are now largely packed in high density polyethylene rather than jute. Polyethylene, however, tends to fibrillate and take on the characteristic of a fibre. It also has a very different dying characteristic from wool in that it does not absorb wool dyes.

If these polyethylene "fibres" mix with the wool, a waste is introduced into the wool which only becomes apparent after dyeing, a considerable way down the production chain and at a point when it is impossible to do much about it other than give the resultant dyed wool a lower quality grading.

To overcome this Geelong developed a paper and nylon covering for wool which, if it leads to contamination, has two advantages over polyethylene: paper can be removed during scouring (an early production process) and nylon, having a different property to polyethylene, will absorb wool dyes.

Geelong has already undertaken a trial involving 3,000 bales which pleased Dr Taylor and it is now undertaking a much larger one involving 100,000 bales. "By improving the process we improve the end product," he says.

Although Geelong concentrates on the process research and Ilkley the product technology, the two have close links. The IWS's Cool Wool marketing campaign, to promote wool as a modern fabric in all the major industrial countries, would have been impossible without work undertaken at Geelong.

Geelong pioneered, some years ago, a process called Spirospun, by which fine yarns could be spun more quickly and efficiently. Without that process, and the fine yarns it produced, the fabric manufacturers could not have produced the sort of materials for the clothes which feature in Cool Wool.

"Cool Wool depends on Spirospun," according to Dr Taylor. "It is an example of the way in which we and Ilkley integrate our work to the benefit of the wool grower. The man on the farm is what concerns us and everything we do here takes that into account."

BRITISH TELECOM'S TELEPHONE INVESTMENT

Bridge to better communications

EVERY DAY, an average of 1m telephone calls are made to or from the UK making it one of the busiest international telecommunications centres in the world.

It is a highly profitable business for British Telecom, which expects the level of traffic to treble by 1995 when 1bn calls will be made into and out of the country.

For the past few weeks a small, but growing, proportion of international telephone calls have been passed through a large new exchange, built by LM Ericsson of Sweden. It is claimed to be the largest digital international exchange in the world.

The new exchange at Keybridge House—close to the New Covent Garden flower and vegetable market in south London—marks the beginning of a 10-year project to provide digital equipment for all international services.

BT will instal four of these very large digital exchanges in the UK. This includes Keybridge. The exchanges will act as a bridge between the small, but fast-growing, domestic digital telephone system and those countries with similarly advanced services. Later this year, the first digital satellite links will be made to the UK and the System X exchanges will come into operation in the City.

BT will instal four very large exchanges this year

The result should be better quality international calls. They should also be quicker to make, as they will not be routed through any slow electro-mechanical exchanges. For BT, the exchanges are cheaper to buy and run. Each exchange, for instance, has a sophisticated automatic fault-finding system.

The Keybridge exchange has 13,800 lines and can handle up to 144,000 call attempts an hour. It will be extended to 50,000 lines capable of handling 800,000 call attempts an hour using a new and more powerful processor. When the exchange is at its full size it will be capable in peak periods of generating revenues of £500,000 an hour.

Keybridge is an important foot in the door for LM Ericsson's AXE exchange. BT has said it will be seeking a second digital exchange to go with System X in the domestic network. LM Ericsson is clearly a front runner. The fact that it has a digital exchange working in the UK network will be an added bonus.

LM Ericsson is also in a strong position to win the contracts for the other three international exchanges planned. The UK suppliers are unlikely to be interested unless there is a chance of winning all three because of the cost and complexity of international exchanges. Total expenditure on the four exchanges is expected to be £120m.

JASON CRISP

UK COMPANY BECOMES MORE AGGRESSIVE IN MARKETING

ICL strategy in small computers

TOMORROW sees the introduction of International Computers' first small business computer to be priced below £2,000. Called the Model 6, it is an important part of the company's more aggressive stance in the small computer business market.

The Model 6 is the third product to come out of the small business division of ICL. The others are Model 16 and the 36, which is the top end of the range.

The latest machine is a stand alone microcomputer. It comes complete with two floppy discs, each having a storage capacity of ¾Mbyte each, and it has an internal memory capacity of ¼ Mbyte.

ICL uses the concurrent CP/M operating system and has signed up several independent software houses to provide programs for the system. For example, the Model 6 will use Micropro's WordStar word processing package, Ashton Tate's database software and SuperCalc.

Value added products will also be available for the Model 6 such as a viewdata facility and British Telecom's Gold service for communications. The computer can also be extended to support three other screens. It costs about £400 to add each extra terminal. It will be manufactured at ICL's small factory in Kidsgrove.

ICL hopes that the model 6 will have two basic roles. One as a replacement computer terminal which gives the user more power at the terminal end. This could be in large mainframe applications such as in airline reservation systems, for example. The other application is as a stand alone computer as a productivity aid to white collar workers.

Though the Model 6 can run software also developed for the IBM personal computer, ICL is anxious not to be seen following the IBM lead. "We did not want to become an IBM clone, then you are forced to sell on price alone. We are in the not-the-IBM camp," said Mr Stephen Black, head of the small business division. "ICL will work with any non-IBM player to achieve a common goal."

That goal is to ensure that software is developed for computer systems other than those running on the MS.DOS operating system. It really means independent software vendors developing programs under CP/M and UNIX Digital Research and American Telephone and Telegraph, which invented these two operating systems, respectively, are also behind ICL's stand, not unnaturally.

Already, ICL has marketing agreements with 14 independent vendors and is openly courting several more.

ICL's small business computer division now makes a profit of £4m to £5m a year. Mr Black said that making a profit was the first objective of the division.

Mr Black said that the company spends some £5m a year on research and development alone in the small business market. He made it clear that ICL is very specific in its sales target. ICL's direct sales force is selling to the larger customers who have a company turnover in excess of £10m. Vertical markets such as pharmaceutical, are also important.

ELAINE WILLIAMS

Components

G.E. chip process

GENERAL ELECTRIC in the U.S. says that its research and development centre has developed a way of extending present chip technology to make future generations of silicon circuits.

GE workers have discovered that coating semiconductor wafers with a special material, prior to chip making, can help produce the very small circuits.

In tests, GE has produced circuits with line widths as thin as 0.4 micron, which is equivalent to one hundredth the thickness of a human hair. This is also about half the width now possible with existing equipment.

The new contrast enhancement coating, as it is called, also helps make chips more precisely and improves the operating characteristics, says GE.

The first commercial application of the material will be later this year, to make 1.2 micron chips at the company's microelectronics facility in Research Triangle Park, North Carolina.

Textiles

Fireproof garments

FIREMEN could find their work less uncomfortable with a new tunic developed by the London-based International Wool Secretariat.

The garment's outer skin is wool cloth treated to retard fire and repel oil and water. The middle layer, again made of wool, insulates the wearer from heat while the inner segment of cloth is made from untreated cotton.

The secretariat has arranged for nine British fire brigades to test the new outfit.

Five Arrows Fund N.V.

Established in Curacao (Netherlands Antilles)

Notice of Annual General Meeting of Shareholders
to be held on July 10, 1984

Notice is hereby given that the Annual General Meeting of Shareholders of Five Arrows Fund N.V. ("the Company") will be held on July 10, 1984 at 10.00 o'clock in the forenoon (local time) at the offices of the Company, 6 John B. Gorsiraweg, Curacao (N.A.) for the following purposes:

1. To approve the Company's annual accounts for the financial year ended December 31, 1983.
2. To declare a dividend for the year ended December 31, 1983.
3. To elect a Managing Director for the ensuing year.
4. To approve the resignation of a member of the Advisory Board.
5. To elect an Advisory Board for the ensuing year.
6. To ratify, confirm and approve the acts of the Managing Director and the Advisory Board.
7. Proposal to appoint Independent Auditors of the Company for the ensuing year.
8. To transact any other business as may properly come before the meeting.

The official agenda of the meeting together with the annual accounts for the Company's financial year ended December 31, 1983 may be inspected by all shareholders at the office of the Company as well as at the offices of its agent banks, viz. N. M. Rothschild and Sons Limited, London—Pierson, Heldring and Pierson N.V., Amsterdam—Pierson, Heldring and Pierson (Curacao) N.V., Curacao—Banque Bruxelles Lambert S.A., Brussels—Banque Privée S.A., Geneva—Rothschild Bank A.G., *Zurich—Rothchild Australia Ltd., Sydney.*

Holders of registered shares shall be entitled to vote at the meeting in person or by proxy. Holders of bearer shares shall be entitled to vote at the meeting on presentation of their share certificates or of a voucher given by any of the Company's agent banks stating that certificates in respect of the number of shares specified in the voucher have been deposited with such agent bank and will remain in deposit until the end of the meeting.

The Managing Director
Intimis Management Company N.V.

Granville & Co. Limited

Member of NASDIM

27/28 Lovat Lane London EC3R 8EB — Telephone 01-621 1212

Over-the-Counter Market

1983-84 High	Low	Company	Price	Change	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
142	120	Ass. Brit. Ind. Ord.	132	+ 1	5.3	4.8	7.7	10.0
158	117	Ass. Brit. Ind. CULS	144	+ 1	10.0	6.9	—	—
78	59	Airsprung Group	69	—	6.1	10.3	16.9	16.9
38	21	Armitage & Rhodes	35	—	1.4	4.0	—	—
330	141½	Bardon Hill	317	—	7.2	2.3	12.9	26.3
58	52	Bray Technologies	52	—	3.6	6.9	6.0	8.7
201	193	CCL Ordinary	193	—	12.0	6.2	—	—
152	121	CCL 11pc Conv. Pref.	142xi	—	15.7	11.0	—	—
540	100	Carborundum Abrasives	525	—	5.7	1.1	—	—
249	100	Cindico Group	103	—	—	—	—	—
69	45	Deborah Services	66	—	6.0	9.1	35.3	57.4
224	75	Frank Horsell	224	—	—	—	9.4	15.4
203	75½	Frank Horsell Pr Ord 87	203	—	8.7	4.3	8.5	14.0
68	25	Frederick Parker	25	—	4.3	17.2	—	—
39	32	George Blair	35	—	—	—	—	—
80	46	Ind. Precision Castings	49	—	7.3	14.9	13.6	16.9
2186	2160	Isis Ord.	2180	—	150.0	6.9	—	—
365	134	Isis Conv. Pref.	360	—	17.1	4.8	—	—
124	61	Jackson Group	109xd	− 3	4.9	4.5	5.0	9.8
265	169	James Burrough	252xd	+ 2	11.4	4.6	13.9	14.3
425	275	Minihouse Holding NV	425	—	3.8	0.9	30.6	33.5
176	90	Robert Jenkins	90	—	20.0	22.2	10.5	7.0
74	53	Scruttons "A"	53	− 1	5.7	10.8	27.9	6.5
120	61	Torday & Carlisle	74	—	—	—	8.0	16.4
444	385	Trevian Holdings	431	—	—	—	8.8	8.0
26	17	Unilock Holdings	18½	+ 0½	1.0	5.4	12.1	17.6
92	65	Walter Alexander	86	—	6.8	8.0	6.6	10.0
276	236	W. S. Yeates	244	—	17.1	7.0	5.9	11.7

APPOINTMENTS

International Commercial Bank new chairman

Dr Wolfgang Jahn has been elected chairman and **Mr Gordon J. Sapstead** appointed managing director of INTERNATIONAL COMMERCIAL BANK. Dr Jahn is a member of the advisory board of Commerzbank AG and Mr Sapstead is a senior vice president of the First National Bank of Chicago.

★

Mr R. R. Green is being appointed an assistant director of HOWSON F. DEVITT AND SONS, part of the Devitt Group Limited, from July 1.

★

G. M. IMBER has appointed **Mr D. A. Roden** as a director.

★

Mr Donald Begg has been appointed a director of COOPER GAY AND CO, Lloyd's brokers.

★

PEAT MARWICK has appointed the following new partners in its London office: **Mr Graham Jones, Mr Alan Kingsley; Mr Neil Lerner, Mr Brendan Nelson, Mr Roy Nicholson, Mr Roger Oldfield, Mr Nigel Platts, Mr Geoff Russell Grant, Mr Nick Ward.** The following have also been appointed partners **Mr Richard Horsley** (Milton Keynes); **Mr Mike Killingley** (Southampton); **Mr David Walter** (Maidstone).

★

Mr Jarvis Astaire has been appointed to the board of TECHNICOLOR.

★

Mr George Blunden, a non-executive director of the Bank of England, has been appointed a director of PORTALS HOLDINGS.

★

Mr Bernard Robinson, chief executive of Tallent Engineering, has joined the board of parent company CHARLES COLSTON GROUP, following the retirement of **Mr Oliver Blanford.**

★

Mr Jack K. McDowall, until recently the Bank of England agent in Bristol, is to join the board of COMMERCIAL BANK OF WALES later this year. His formal appointment is expected to take place in August. Mr McDowall is also expected to become chairman of the Horstmann Gear Group later this year.

★

BANK OF AMERICA has named **Mr David M. Stahl** as section manager, London branch, responsible for energy, construction and mining. He was *previously a section head in* division credit administration. **Mr Tony Parker** has joined Bank of America in London as vice president and senior account officer for the energy team. He was previously based in Oslo with Chase Manhattan Overseas Corp. as vice president and manager, petroleum.

BUILDING CONTRACTS

Milton Keynes Central Business Exchange

HADEN YOUNG, building services subsidiary of Haden, has been awarded a £4.13m order by John Mowlem, the main contractor, for the first phase of the Milton Keynes Central Business Exchange (known as CBX). The contract is for the design and construction of a complete mechanical and electrical services package. Haden Young's involvement will embrace air conditioning, electrical, sanitary and fire protection systems. The CBX is funded by Shell Pensions Trust and is being developed by Milton Keynes Development Corporation. The scheme comprises 264,500 sq ft of lettable office space—made up of two six-level office blocks, each built around a central atrium. A special feature of CBX is the Winter Garden—a centre for sport and leisure within an exotically landscaped complex of 35,000 sq ft. A high quality hotel is also planned for this first phase.

★

G. E. WALLIS has been awarded a £2.75m contract by the Welsh Development Agency for a factory and office plant at Llantarnum Park, Cwmbran. The American Parrot Corp is leasing the plant to provide Britain's first fully integrated floppy disk plant. First phase of the project involved construction of 58,000 sq ft of a high specification modular production unit of low-profile design which will blend in with the surroundings, for completion in December, and with a further 10-week contract period for fitting out in preparation for commercial production of disks in March. Phase two will provide a 9,000 sq ft office block. This will be ready in March 1985.

★

Orders worth nearly £3m have been awarded to **ROSSER AND RUSSELL**, part of Grandmet *International* Services. Among the larger contracts is a BR order worth £459,000 for renewing the air conditioning plant serving the station complex at New St Station, Birmingham. Work began in early May and has to be carried out with no disruption to passenger traffic or functioning of present facilities. Hospital contracts include Haroldswood Hospital at £1.1m.

★

VIC HALLAM, Nottingham, has been awarded two contracts together worth over £1.2m using Lincpac system. Largest is for the London Borough of Lambeth (£1m) for 14 buildings for use as neighbourhood housing offices. The offices will be located in infill sites throughout the borough and will facilitate a policy of decentralisation by the Borough Housing Department. The buildings will each have a total area of about 250 sq metres.

★

A £2.4m contract to construct a powder handling plant for Lever Bros, Port Sunlight, has been awarded to Warrington-based **A. MONK AND CO.** The work includes constructing an extension to the cascade and silo areas.

★

TAYLOR WOODROW CONSTRUCTION (SCOTLAND), Glasgow, has received a contract, worth £890,000, from Lawfield Investments, for a supermarket and shopping mall at High Street, Cowdenbeath, Fife. The work comprises capping a mine shaft and construction of a single-storey supermarket and a mall of nine single-storey shopping units with associated car park and external works. The supermarket will have a floor area of 22,000 sq ft and the shop units will each contain 900 sq ft of floor space. Work has started with completion *scheduled* for March 1985.

★

SIR ALFRED MCALPINE AND SON (NORTHERN) has a contract from Manchester United Football Club for construction of an extension to the administration block and main stand roof. Valued at £840,000, work has started, for completion in 36 weeks.

★

Three council house contracts totalling over £2.9m have been won by **ROWLINSON CONSTRUCTIONS**, Poynton, Cheshire, in Salford, Manchester and Knutsford. In Salford, Rowlinson will remove the flat roofs and top two floors of 172 four-storey maisonnettes, and convert the remaining structures into 86 two-storey houses with pitch-tiled roofs. The £1.4m contract includes refurbishment, and is for completion in late 1985. For the City of Manchester, the company will build 10 flats and 25 two, three, four and five bedroom houses in Cecil Street, Hulme, under a design-and-build 12-month contract worth £736,000. In Middlewalk, Knutsford, Rowlinson will build a three-bedroom house and 36 single-bed flats, in four 2-storey blocks, under a 78-week £705,252 contract for Macclesfield Borough Council.

The Fleming Far Eastern Investment Trust plc

Mr. M.B. Baring, Chairman, reports:

Substantial rise in asset value and share price for second successive year.

Results for Year to 31st March	1984	1983	change %
Total Assets	£170.0m	£115.1m	+47.7
Net Asset Value per Ordinary Share	329.6p	220.7p	+49.4
Ordinary Share Price	313p	193p	+62.2

Copies of the Annual Report and Accounts are available from the Secretary, Robert Fleming Services Limited, P & O Building, 2nd Floor, 122 Leadenhall Street, London EC3V 4QR.

Fine Art Developments

-greeting cards and mail order-

Year ended 31st March	1984	
TURNOVER	£98.1 million	up 21%
OPERATING PROFIT	£5.4 million	up 41%
PROFIT before tax	£3.4 million	up 102%
DIVIDENDS per share	3.0p	

Fine Art Developments p.l.c.

The 1984 Report and Accounts are available from the Secretary at Fine Art House, Queen Street, Burton upon Trent, Staffordshire, DE14 3LP.

BASE LENDING RATES

A.B.N. Bank	9 %	C. Hoare & Co. †	9 %
Allied Irish Bank	9¼%	Hongkong & Shanghai	9 %
Amro Bank	9 %	Kingsnorth Trust Ltd	10 %
Henry Ansbacher	9¼%	Knowsley & Co. Ltd.	9¾%
Associates Cap. Corp.	9 %	Lloyds Bank	9 %
Banco de Bilbao	9¼%	Mallinhall Limited	9 %
Bank Hapoalim BM	9 %	Edward Manson & Co.	10¼%
BCCI	9¼%	Meghraj and Sons Ltd.	9¼%
Bank of Ireland	9¼%	Midland Bank	9¼%
Bank of Cyprus	9½%	■ Morgan Grenfell	9 %
Bank of India	9¼%	National Bk. of Kuwait	9 %
Bank of Scotland	9¼%	National Girobank	9 %
Banque Belge Ltd.	9¼%	National Westminster	9 %
Barclays Bank	9¼%	Norwich Gen. Tst.	9¼%
Beneficial Trust Ltd.	10 %	People's Tst. & Sv. Ltd	10 %
Bremar Holdings Ltd.	9 %	R. Raphael & Sons	9 %
Brit Bank of Mid. East	9 %	P. S. Refson & Co.	9¼%
■ Brown Shipley	9¼%	Roxburghe Guarantee	9½%
CL Bank Nederland	9 %	Royal Trust Co. Canada	9¼%
Canada Permn't Trust	9 %	■ J Henry Schroder Wagg	9 %
Castle Court Trust Ltd.	9¾%	Standard Chartered ‖	9¼%
Cayzer Ltd.	9¼%	Trade Dev. Bank	9¼%
Cedar Holdings	9 %	TCB	9 %
■ Charterhouse Japhet	9¼%	Trustee Savings Bank	9 %
Choulartons	10¼%	United Bank of Kuwait	9 %
Citibank NA	9¼%	United Mizrahi Bank	9 %
Citibank Savings ¶	9¼%	Volkskas Limited	9¼%
Clydesdale Bank	9¼%	Westpac Banking Corp	9 %
C. F. Coates	10¼%	Whiteaway Laidlaw	9¾%
Comm. Bk. N. East	9¼%	Williams & Glyn's	9¼%
Consolidated Credits	9¼%	Wintrust Secs. Ltd.	9¼%
Co-operative Bank *	9 %	Yorkshire Bank	9 %
The Cyprus Popular Bk	9¼%		
Dunbar & Co. Ltd.	9¼%		
Duncan Lawrie	9¼%		
E. T. Trust	9¼%		
Exeter Trust Ltd.	10¼%		
First Nat. Fin. Corp.	11 %		
First Nat. Secs. Ltd.	10 %		
Robert Fraser	9¼%		
Grindlays Bank ‡	9 %		
■ Guinness Mahon	9 %		
■ Hambros Bank	9¼%		
Heritable & Gen Trust	9¼%		
■ Hill Samuel §	9¼%		

■ Member of the Accepting Houses Committee.
* 7-day deposits 5.75%. 1-month 6.5 %. Fixed rate 12 months £2,500 8.5% £10,000. 12 months 9%.
† 7-day deposits on sums of under £10,000 6%, £10,000 up to £50,000 6½%, £50,000 and over 7½%.
‡ Call deposits £1,000 and over 5¾%.
‖ 21-day deposits over £1,000 7%.
§ Demand deposits 5¾%.
¶ Mortgage base rate.

ENERGY REVIEW

Ultramar set on another 'elephant hunt'

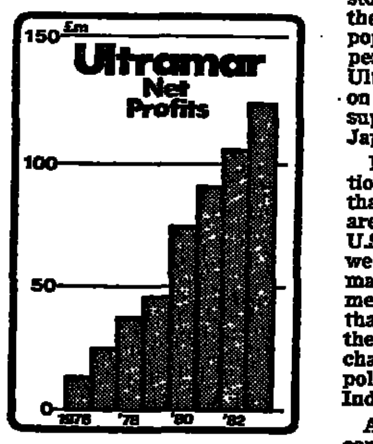
By Dominic Lawson

THERE IS a paradox about a UK oil company which since 1976 has seen net annual profits grow from £12m to over £122m in a consistent series of leaps—yet many investors give it a wide berth. Last month it produced first-quarter operating profits "disappointingly" up 61 per cent at over £69m, and since then the share price has shed 20 per cent of its value.

Ultramar's slogan for many years has been "Ultramar, The British Oil Company. We fly the slogan all over the world," says Ultramar's ebullient chief executive, American Lloyd Bensen, 58. "I even see it in Boston, and I think 'hey, take that down, this is Irish territory'."

Yet, and here is the second Ultramar paradox: the company has traditionally based only a tiny proportion of its profits in the UK, and it never has enough UK corporation tax to offset its dividend payouts. As Michael Unsworth, oil analyst, at brokers Scott Goff Layton says: "Its head office may, nominally, be in London, but the company is run out of Mount Kisco, New York."

Sitting in Ultramar's London office, on the 13th floor of Morgan Guaranty's tower in the City of London, Arnold Lorbeer, Ultramar's 69-year-old chairman, takes issue with the charge of un-Britishness. "Our shares are about 90 per cent UK-owned. We've never promoted ourselves in the U.S." And Lorbeer points out that Ultramar's prodigious growth has been funded by UK investors, most recently by a daring £103m rights issue in the middle of the Organisation of Petroleum Exporting Countries' crisis last year.



Daring has been a feature of Ultramar's history since it was founded in the 1920s by an American banker, Alfred Meyer, on the basis of lucrative oil concessions in Venezuela. Ultramar started life as the Caracas Petroleum Corporation and built up sufficient interests on the back of its Venezuelan oil to survive eventual expropriation.

Ultramar's recent rapid growth has been due in large measure to its decision in the late 1960s to invest in oil prospecting in Indonesia, the first major oil company to take that risk since Shell had been chased out of the country.

Ultramar's target was oil, but what it found with its first wildcat well in 1969, was gas. Bensen says: "That first well—we hit it! We'd never seen anything like it—an elephant!" The result is that now 88 per cent of Ultramar's hydrocarbon reserves—400m barrels of oil equivalent—are based in Indonesia. Last year 45 per cent of the company's net profits were Indonesian-based, and a much higher proportion than that before the Indonesian Government took its tax cut.

This dependence on a far-away country about which most stockbrokers know nothing is the main reason why Ultramar's popularity lags behind its performance — even though Ultramar's earnings are based on secure 20-year contracts to supply liquid natural gas to Japan.

Bensen claims that the situation in Indonesia is more stable than Ultramar's three other areas of operation—Canada, the U.S. and the UK. And in a well-prepared retort, Ultramar's manager of business development, Robert Martin, 29, says that "over the past seven years there have been 11 major changes in the UK's oil taxation policy, and only one in Indonesia."

As if to demonstrate its commitment to the doubters, Ultramar last month launched a joint $511m bid with Allied Corporation for Enstar, which has a major stake in Ultramar's Indonesian operations. In a financial move of characteristic complexity, Ultramar, with its partner Allied, is paying for half of the company through novel "Indonesian participating certificates," the exact value of which seem unclear even to the originators of the concept.

Hugh Routledge

Mr Arnold Lorbeer (left), Ultramar's chairman, and Mr Lloyd Bensen, chairman-elect

The bid is being challenged in the courts as inadequate by Enstar's biggest individual shareholder, Roy Huffington, the man who operates the Indonesian venture. He brought Ultramar in on the venture in the first place and is an old friend of Lorbeer and Bensen.

Lorbeer says that if someone comes in with a counter bid then Ultramar will walk away. He would say that, wouldn't he? "Of course," laughs Lorbeer, "but I mean it." He may, too.

Ultramar has always steered clear of the unwanted takeover and the competitive bid. It is one of Lorbeer's principles never to acquire a company which does not want to be taken over.

It is hardly surprising that Ultramar is so influenced by Lorbeer. He became chief executive in 1954, and chairman in 1981, when he was succeeded by Bensen, who thus became only the third chief executive in the company's history. As if to emphasise the continuity, Lorbeer was best man at Bensen's wedding, and is godfather to his children.

When Lorbeer retires as chairman at the end of this year it will mark the fading from the limelight of one of the great characters of the oil industry. Fluent in several European languages, Lorbeer was born in this country, though he is a U.S. citizen. His family, hailing from what is now Kaliningrad, were an acrobatic troupe, The Lorbeers.

"My parents didn't want me to become an acrobat," he says, though he adds that he has walked a few business tightropes since then.

In the Second World War he volunteered for the OSS, the forerunner of the CIA, for behind-the-lines work organising the Maquis in France, and the partisans in Italy. So he is rather unimpressed by people who tell him that Indonesia is a dangerous place to be.

Ultramar, unlike other large UK independents such as Britoil and LASMO, is an integrated company, with interests in refining and marketing, as well as exploration and production. Its main marketing effort is concentrated in Canada. This stems from 1960 when the U.S. Government stepped in to prevent Ultramar from selling products from its refinery in Panama in the U.S.

Ultramar's heavy involvement in the Canadian refining and retailing market is perhaps another reason for its current unfashionableness. Its key east Canada market has been suffering from a surplus of refined product, and Ultramar has been experiencing losses. However, it has remained resolutely in the market place when other companies have either folded or sold out. Bensen insists: "We are going to have a bonanza year in Canada. It's a question of cycles."

Ultramar has just finished spending C$240m (£132m) to upgrade its main Quebec refinery, with the idea of getting an end product worth $13 more per barrel." The market has halved that advantage, just like that," says Bensen, clapping his hands together.

To make matters worse Ultramar, in its hurry to exploit its new upgraded refinery, pushed too much feedstock through the system at the beginning of this year, giving rise to extensive debugging problems.

"We knew there was something wrong in February," says Lorbeer. But the annual report, which came out on April 18, made no mention of problems, saying only that "the new facilities were brought on stream successfully, and have operated at above design capacity."

Unsworth says that Ultramar has always been more secretive than other oil companies he analyses. But he is an Ultramar fan, and claims that the people who criticise the company do so because "they haven't spent the considerable time and effort required to understand this complicated company."

However, even Unsworth has his doubts about Ultramar's UK marketing operation, which is based on a presence in the declining rural areas of the UK. But Lorbeer denies that the entry into the UK retail market in 1968 was simply the creation of a toy for Ultramar's UK management to play with.

"It was against the wishes of the London board that we went in to the UK downstream market. At that time we considered operating a refinery."

Ultramar eventually decided against a refinery-based operation, and its ability to make profits in its UK marketing operation in the recent difficult times, stems from that characteristically shrewd decision.

Why get involved in a pure marketing operation at all? According to Lorbeer, this was a political hedge. "Every country has its spells of nationalism. We could foresee a situation where a future UK government could restrict exports of North Sea crude."

In fact, Ultramar's involvement in the North Sea was remarkably half-hearted for "the British oil company," until the time of the seventh licencing round, when everyone climbed in. In part this was because the early build-up years of the North Sea oil industry coincided with Ultramar's heaviest investment in its Indonesian venture.

There was another reason, says Lorbeer: "When the North Sea opened up, we had a consultant geologist. He told us, 'I will drink every drop of oil you find in the North Sea'."

Fortunately for Ultramar, one of its few forays into the North Sea in those early years, was a 6 per cent stake in what turned out to be the Maureen field, which has one of the best-producing UK reservoirs.

Ultramar recently acquired a further 2.5 per cent interest in Maureen from British Electric Traction. But how much better it would have been had the company gone for a bigger stake in the first place.

Last year, Ultramar approached the Government with a view to bidding £100m for some of the North Sea oil-producing assets that had been stripped from the British Gas Corporation. But the Government decided to float the assets on the stock market as Enterprise Oil.

Lorbeer says that Ultramar's days of small stakes in the North Sea oil scene are over.

"We'll be going for big interests now the ninth round is here, like between 25 per cent and 40 per cent."

Bensen grins. "We're going elephant hunting in the North Sea, like we did in Indonesia."

A copy of this Prospectus, having attached thereto the documents specified herein, has been delivered to the Registrar of Companies in England and Wales for registration.

This Prospectus includes particulars given in compliance with the Regulations of the Council of The Stock Exchange for the purpose of giving information with regard to Framlington Far East Fund Limited ("the Company" or "the Fund"). The Directors have taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other material facts the omission of which would make misleading any statement herein whether of fact or of opinion. All the Directors accept responsibility accordingly.

Application has been made to the Council of The Stock Exchange for the Participating Redeemable Preference Shares of 1p each of the Company to be admitted to the Official List.

The consents of the Advisory and Finance Committee of the States of Guernsey under the Control of Borrowing (Bailiwick of Guernsey) Ordinances 1959 to 1976, of the Finance and Economics Committee of the States of Jersey under the Control of Borrowing (Jersey) Order 1958 (as amended) and of the U.K. Treasury in compliance with the Order made under Section 1 of the Borrowing (Control and Guarantees) Act 1946 have been obtained to this issue. It must be distinctly understood that in giving these consents neither the Committees nor the Treasury take any responsibility for the financial soundness of any schemes or for the correctness of any of the statements made or opinions expressed with regard to them.

Participating Redeemable Preference Shares of the Company are offered on the basis of the information and representations contained in this Prospectus and any further information given or representations made by any person must be regarded as unauthorised. This Prospectus does not constitute an offer or solicitation by anyone in any jurisdiction in which such an offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation. No person may treat this Prospectus as constituting an invitation to him unless in the relevant territory, such an invitation could lawfully be made to him without compliance with any registration or other legal requirements. It is the responsibility of any person outside the United Kingdom wishing to make an application hereunder to satisfy himself as to full observance of the laws of the relevant territory in connection therewith.

All references to "Sterling", "£", "pence" and "p" are to the currency of the United Kingdom.

PROSPECTUS

FRAMLINGTON FAR EAST FUND LIMITED

(an investment company incorporated with limited liability in Guernsey on 24th May, 1984 under the provisions of the Companies (Guernsey) Laws, 1908 to 1973)

For the purposes of satisfying applications for subscription, Unclassified Shares of the Company will be issued as Participating Redeemable Preference Shares ("Participating Shares"). Details regarding the share capital of the Company are set out in Appendix A below.

The Company will operate as an investment fund in a similar way to a unit trust in that it may issue and redeem Participating Shares at prices based on their underlying net asset value.

The Company does not have any loan capital (including term loans) outstanding or created but unissued, or any outstanding mortgages, charges, or other borrowings or indebtedness in the nature of borrowings, including bank overdrafts, liabilities under acceptances or acceptance credits, hire purchase commitments or guarantees or other material contingent liabilities.

APPLICATION PROCEDURE

Applications must be made on the Application Form attached to this Prospectus and forwarded to Framlington Overseas Fund Management Limited, P.O. Box 71, Barfield House, St. Julian's Avenue, St. Peter Port, Guernsey, Channel Islands, so as to arrive not later than 5.00 p.m. local time in Guernsey on 4th July, 1984. Each application must be accompanied by a remittance in Sterling for the appropriate amount made payable to "Framlington Overseas Fund Management Limited". Due completion of the Application Form accompanied by a cheque will constitute an undertaking by the applicant that such cheque will be paid on first presentation and any allotment made will be strictly on this understanding. Applications will not be acknowledged but share certificates will be sent to successful applicants by not later than 27th July, 1984.

The subscriptions lists for the Participating Shares now being offered will open at 10.00 a.m. on 5th July, 1984 and will close as soon thereafter as the Company may decide.

Acceptances of applications for Participating Shares will be conditional upon the Participating Shares now being issued being admitted to the Official List by the Council of The Stock Exchange on or before 6th July, 1984.

Applications must be for a minimum of 1,000 Participating Shares.

The Company reserves the right to reject any application in whole or in part in which event the application monies or any balance thereof will be returned to the applicant by post by not later than 12th July, 1984.

All application monies will be returned by not later than 12th July, 1984 in the event that the amount raised by the Company by the present issue is less than £500,000 (see paragraph 6 under "General Information" below). All cheques, certificates and other documents will be sent by post at the risk of the persons entitled thereto.

In respect of allotments arising from applications bearing the stamp of bankers, stockbrokers, solicitors, accountants or other approved agents, Framlington Overseas Fund Management Limited will pay 1½p of the initial charge of 2½p per share due to it under this Prospectus to such agents as commission.

SHARE CAPITAL

Authorised £		Issued and fully paid £
100	in 100 Management Shares of £1 each	100
400,000	in 40,000,000 Unclassified Shares of 1p each	—
400,100		100

Issue of up to 40,000,000 Participating Redeemable Preference Shares of 1p each at 50p per share payable in full on application.

DIRECTORS

William Royden Stuttaford, O.B.E. (Chairman)
3 London Wall Buildings, London EC2M 5NQ.

John Gordon Jesse Evett
Courtil Naftiaux, St. Andrews, Guernsey, Channel Islands.

Francis Charles Lang (French)
27 Boulevard Lannes, 75116, Paris.

Jillian Avis Kathryn Smith
3 London Wall Buildings, London EC2M 5NQ.

Peter Paul Walsh
"Les Collines du Villocq", Courtil Simon Lane, Castle, Guernsey, Channel Islands.

REGISTERED OFFICE
Barfield House, St. Julian's Avenue, St. Peter Port, Guernsey, Channel Islands.

MANAGER
Framlington Overseas Fund Management Limited
P.O. Box 71, Barfield House, St. Julian's Avenue, St. Peter Port, Guernsey, Channel Islands. Telephone 0481-26541. Telex 4191651.

SECRETARY, REGISTRAR, CUSTODIAN AND BANKERS
Barfield Bank & Trust Co. Limited
P.O. Box 71, Barfield House, St. Julian's Avenue, St. Peter Port, Guernsey, Channel Islands.

INVESTMENT ADVISER
Framlington Unit Management Limited
3 London Wall Buildings, London EC2M 5NQ.

AUDITORS
Deloitte Haskins & Sells, Chartered Accountants
Albert House, South Esplanade, St. Peter Port, Guernsey, Channel Islands.

STOCKBROKERS TO THE COMPANY
Laurence, Prust & Co.
Basildon House, 7-11 Moorgate, London EC2R 6AH.

LEGAL ADVISERS

In Guernsey:
Carey, Langlois & Co.
P.O. Box 98, 7 New Street, St. Peter Port, Guernsey, Channel Islands.

In England:
Norton, Rose, Botterell & Roche
Kempson House, Camomile Street, London EC3A 7AN.

Investment and Dividend Policy

The Directors will aim to achieve high growth through a spread of investments in the Far East. Initially, it is expected that between 60 and 70 per cent of funds will be invested in Japan, with 10 to 20 per cent in Singapore and Malaysia, 10 to 20 per cent in Hong Kong and 5 to 10 per cent in Australia. Over the longer term the Fund may invest 5 to 10 per cent of its assets in developing areas of the region such as New Zealand, Thailand, Taiwan and South Korea. The geographical distribution and selection of securities will alter from time to time according to Stock Market and environmental conditions. In addition if the Investment Adviser considers the market climate to be appropriate, all or part of the Fund's assets will be retained on deposit.

As investment yields in the Far East are low the gross yield on the Fund is likely to be minimal. Not less than 85 per cent of the net income of the Company will be distributed to shareholders by way of annual dividend, normally in October of each year commencing October 1985. All dividends will be paid in Sterling. Where requested, dividends may be reinvested automatically in further Participating Shares at the offer price ruling on the relevant dividend payment day, but if such day is not a Subscription Day, on the next Subscription Day.

Not more than 10 per cent of the combined assets of the Company and of any subsidiary will be invested in the securities of any one company, including shares in any subsidiary of the Company. Not more than 15 per cent of such assets will be invested in securities not listed on a recognised stock exchange or dealt in on an over-the-counter market. Not more than 10 per cent of such assets will be invested in holdings in which the interest of the Company and/or any subsidiary amounts to or is convertible into 10 per cent or more of the issued share capital of any company or of any class of that share capital. [illegible]

SUMMARY

(This summary should be read in conjunction with the full Prospectus of which it forms part.)

Status and method of operation:

The Company is incorporated in Guernsey and will operate in a similar way to a unit trust by issuing and redeeming shares at prices based on their underlying net asset value which may rise or fall.

Objective:

The Company will aim to achieve capital growth through a spread of investments in the Far East. Initially, the major areas of investment will be Japan, Singapore, Malaysia, Australia and Hong Kong, although over the longer term the Company may also take advantage of special opportunities in developing areas of the region such as New Zealand, Thailand, Taiwan and South Korea. The geographical distribution and selection of securities will alter from time to time according to stock market and environmental conditions. In addition, if the Investment Adviser considers the market climate to be appropriate, all or part of the Company's assets will be retained on deposit.

Yield:

Since the Company will invest primarily for capital growth, the yield is expected to be minimal.

Manager:

The Manager of the Company is Framlington Overseas Fund Management Limited, a company incorporated in Guernsey.

Investment Adviser:

Investment advice will be provided by Framlington Unit Management Limited, which manages nine United Kingdom authorised unit trusts and already advises Framlington Overseas Income and Growth Fund Limited.

Applications:

Applications must be made on the Application Form attached to this Prospectus.

Secretary, Registrar, Custodian and Bankers

Barfield Bank & Trust Co. Limited ("Barfield") has been appointed as Secretary and Registrar of the Company (see "General Information", paragraph 19(iii) below). As remuneration for its services, Barfield will receive from the Company a monthly fee of an amount determined by reference to the value of the net assets of the Company as at the last valuation day in each month (calculated by the same method as that for determining the Manager's monthly fee), subject to a minimum monthly fee of £750. Further details of Barfield's monthly fees are contained in paragraph 16 under "General Information" below.

Barfield has also been appointed as Custodian of the assets of the Company (see "General Information", paragraph 19(iv) below). As remuneration for its services in this regard, Barfield will receive from the Company a monthly fee of an amount determined by reference to the value of the net assets of the Company as at the last valuation day in each month (calculated by the same method as that for determining the Manager's monthly fee), subject to a minimum monthly fee of £250.

Barfield has also entered into an agreement under which the Manager has delegated to Barfield the administrative duties imposed on the Manager by the Company. [illegible]

Instructions should be given or confirmed in writing to be received by the Manager not later than 4.00 p.m. in Guernsey on the subscription day, otherwise, at the option of the Company, redemption will be at the Redemption Price on the next subscription day. At the election of the Manager, Participating Shares offered for redemption may be purchased by the Manager or redeemed by the Company but no selling shareholder may receive less than the Redemption Price specified under the Articles of Association. The Redemption Price will be based on the underlying net asset value of the Company as at the relevant valuation day, which is normally the business day preceding the subscription day and the method of calculation is set out in Appendix B below.

Redemption proceeds which will be denominated in Sterling will normally be despatched by the Manager on the later of the date on which the redemption or purchase takes effect and the date of receipt by the Company of the relative share certificate with the redemption form on the reverse duly completed by the shareholder.

The Directors of the Company may suspend the valuation of assets at any time if, in their opinion, it is not reasonably practicable for the Company to dispose of investments or fairly to determine the value of its net assets, or if a breakdown occurs in any of the means normally employed to ascertain the value of its investments, or if for any other reason the value of the investments or other assets of the Company cannot reasonably be ascertained. No Participating Shares may be redeemed during a period of suspension. Any such suspension shall terminate when the Directors declare that the suspension is at an end or, if earlier, on the first business day on which the condition giving rise to the suspension shall have ceased to exist and no other condition [illegible]

[illegible]

APPENDIX A

Particulars of Share Capital

[illegible]

APPENDIX B

Summary of certain provisions of the Articles of Association

[illegible]

APPENDIX C

General Information

[illegible]

12th June, 1984

This form when completed should be forwarded to Framlington Overseas Fund Management Limited, P.O. Box 71, Barfield House, St. Julian's Avenue, St. Peter Port, Guernsey, Channel Islands to arrive not later than 5.00 p.m. local time in Guernsey on 4th July, 1984 together with a cheque, bankers draft or money order for the amount payable on application. (Note 1).

Framlington Far East Fund Limited

APPLICATION FORM

Issue of up to 40,000,000 Participating Redeemable Preference Shares of 1p each ("Participating Shares") at 50p per share payable in full on application

*Applications must be for a minimum of 1,000 shares.

Number of Participating Shares applied for*	Amount enclosed
	£

To: Framlington Far East Fund Limited ("the Company")

I/We hereby offer to subscribe for the above stated number of Participating Shares and I/we agree to accept the same or any smaller number of Participating Shares in respect of which this application may be accepted upon the terms of the Prospectus dated 12th June, 1984 and subject to the *Memorandum* and Articles of Association of the Company as in force from time to time. I/We enclose a remittance for the above mentioned sum by cheque, bankers draft or money order (Note 1). I/We acknowledge that the Company reserves the right to reject any application in whole or in part.

I/We declare that I am/we are not resident in the Bailiwick of Guernsey for the purpose of liability to Guernsey income tax and I am/we are not acquiring the above mentioned shares as the nominee(s) or trustee(s) of any person(s) so resident. I/We undertake to inform you of any change in my/our status in this regard.

☐ **Please pay dividends in cash**

☐ **Please invest dividends in further Participating Shares**

(Tick whichever is applicable. If neither option is exercised, dividends will be paid in cash.)

Dated ...., 1984

Full names of applicant(s) (in Block Capitals) ....

Signature(s) of applicant(s) (Notes 2, 3 and 4) ....

Address for communications (in Block Capitals) ....

Address for registration (if different from above) (in Block Capitals) ....

Notes:

1. All cheques, bankers drafts and money orders should be in Sterling and be made payable to "Framlington Overseas Fund Management Limited" and sent to it at P.O. Box 71, Barfield House, St. Julian's Avenue, St. Peter Port, Guernsey, Channel Islands.
2. In the case of joint applicants, all must sign.
3. A corporation must execute this Application Form under its Common Seal or under the hand of a duly authorised officer who should state his capacity.
4. If this Application Form is signed by an attorney, the Power of Attorney must accompany the form.

Agent's Stamp

UK NEWS

Thorn and BT review cable TV commitment

BY RAYMOND SNODDY

THORN EMI and British Telecom (BT) are reviewing the level of their commitment to cable television in the light of more gloomy market forecasts and the taxation changes announced in the budget last March.

Both organisations have played a central role in the development of multi-channel cable television in the UK. Any decision to reduce or postpone their involvement could have serious consequences for the fledgling industry.

Thorn has been involved in every aspect of the new industry, from programme provision to the operation of cable networks. BT is involved in five of the 11 interim franchises announced by the Government last November.

BT has been reviewing its commitment to cable in the light of the Chancellor of the Exchequer's taxation changes announced in the budget, particularly the decision to phase out capital allowances.

BT, which the Government proposes to sell to the private sector later this year, has decided that it cannot absorb the extra costs resulting from the Chancellor's decision. The organisation is about to offer its cable operators the choice between paying higher tariffs or opting for more simple and less expensive technology.

BT yesterday reaffirmed its commitment to the cable television industry but said: "We look on the increasing difficulties with anxiety."

The anxiety at Thorn EMI has partly been caused by the news that BT was reviewing its position. Thorn has asked BT for a clarification of its intentions. The company believes that both organisations must forge ahead if cable is to be successful.

A senior Thorn executive told New Media Markets, the Financial Times newsletter: "We have continued over the last week or so to get increasingly negative inputs about the whole business. In fact, we have not had one encouraging input for several months."

Mr Peter Laister, chairman of Thorn-EMI, said in a speech in April that the Chancellor had inflicted "substantial damage" on the prospects for cable and satellite. He warned then that, although Thorn-EMI believed in the importance and benefits of new distribution systems, "we shall balance the pace according to the economics."

Thorn did, however, have good news yesterday for Premiere, the premium film channel in which it has a majority stake.

Agreement has been reached with Greenwich Cablevision in South-east London and BT in Milton Keynes, Bedfordshire, and Washington, North-east England, to carry Premiere exclusively. It will also be carried on the Thorn cable systems in Medway, South-east England, and Swindon, Wiltshire.

ELECTION SEEN AS VERDICT ON LABOUR'S NEW LEADER

Kinnock faces Euro-poll test

BY MARGARET VAN HATTEM, POLITICAL CORRESPONDENT

THIS WEEK'S elections for the European Parliament will inevitably be seen as a verdict on Mr Neil Kinnock's leadership of the British Labour Party. That is inescapable, even though few inside the party – let alone outside – expect Labour to improve sharply on its 1979 performance when it won 17 out of the 81 UK seats.

Labour itself has encouraged the view by urging voters to use the election to pass judgment on Mrs Margaret Thatcher's second term of office. Yet the opinion polls suggest that Mr Kinnock's popularity has slipped since March, when Gallup put him one point ahead of the Prime Minister and Mori gave the two leaders equal ratings. Both polls have indicated that, in the last month or so, Mr Kinnock has dropped to four or more points behind the Prime Minister.

Why is he falling behind? The miners' strike has not helped Labour. But that does not go all the way to explaining why Mr Kinnock, who was elected leader last October after the party's general election defeat, is increasingly seen as a likeable enough but ultimately lightweight figure.

One clue is Mr Kinnock's verdict on last week's economic summit. "It was a summit of spectacular smugness in which the most powerful economies of the world were represented, yet which completely avoided the obligations they had to stimulate an economic expansion and to sponsor a reform of international financial institutions."

Compare his statement with that of Mr Denis Healey, the former deputy Labour leader and now foreign affairs spokesman: "Waste and failure are the hallmarks of Mrs Thatcher's second term. They were well illustrated by this summit which failed to reach any significant conclusion on any issue."

Or that of Dr David Owen, the Social Democrat leader, "Economic summits are now a backdrop for domestic elections. I can think of better uses for the money."

That goes some way towards explaining why Mr Healey and Dr Owen often find their views reported in the media, illustrated with terse quotes, while Mr Kinnock's share of media time and space is so often focused on his appearances with show business personalities.

Mr Kinnock's speeches are no less serious or weighty than those of most other performers in the Westminster circus. But he does seem to need more words per sentence, particularly long words, and cannot bear to limit himself to making one or two points where he can think of 12 or 13 more.

As a result, much of what he says loses impact and become nearly impossible to quote. That, in turn, helps to foster the growing impression that the Labour leader has little to say and is preoccupied with image building.

Mr Kinnock's advisers say that the issue of the European election campaign are hard to put across. That may be true, but it is equally true for all parties.

Labour decided in the early stages of its campaign that it would concentrate on unemployment, higher prices, the food wastage attributable to the Common Agricultural Policy and the Government's record in relation to the welfare state. It would present the Government's role in the EEC budget debate as an ineffectual one and it would draw attention to the Tories' willingness to fall in with European initiatives.

None of their accusations, however, appears to have deflected the Tories from their course of attacking Labour's history of uncertainty on the question of EEC membership and of campaigning heavily on the issue of defence (though this is, in strict terms, irrelevant to the European assembly).

Sun Oil seeks end to N. Sea dispute

SENIOR EXECUTIVES of Sun Oil, of the U.S., are to meet Mr Alick Buchanan-Smith, Energy Minister, this week in an attempt to end a running battle with the Department of Energy over the development of the Balmoral oilfield, in the North Sea, Dominic Lawson writes.

Earlier this year the Dallas-based oil company angered the minister when it awarded the £115m contract for the field's production platform to Gotaverken Arendal, of Sweden.

The Energy Department's Offshore Supplies Office was concerned that as a result of that contract the company would not be able to meet its internal undertaking to base 70 per cent of the field's development costs in the UK.

The Energy Department fears that this could set a precedent for future North Sea developments operated by foreign companies.

Sun's delegation, headed by Mr Bob Hauptfuhrer, its president of exploration and development, will tell the minister that at least 68 per cent of the value of Balmoral development contracts completed or awarded have, or will be, spent in the UK.

● BELL LINES, the Irish container shipping company which operates in Northern Europe, is to spend £800,000 in England and Ireland to lengthen two ships.

One of the contracts will go to Readheads, the repair yards in North-east England. The other has been placed with Verolme Cork Dockyard in Ireland.

● REUTERS, the international news agency and business information group, has linked up with Accu-Weather a privately-owned U.S. weather service to supply reports for use in commodity, energy and shipping markets.

● EXPORTS OF steel scrap from Britain in the first three months of this year totalled a record 1.17m tonnes worth £75.8m. This was a rise of 23 per cent on the tonnage in the same quarter last year. Spain was the largest single foreign market.

● IMPERIAL CHEMICAL Industries (ICI) plans to double capacity for its high-performance plastic, Victrex.

The move, which will involve an investment of around £2m, reflects fast-growing demand, chiefly from the electronics and aerospace industries.

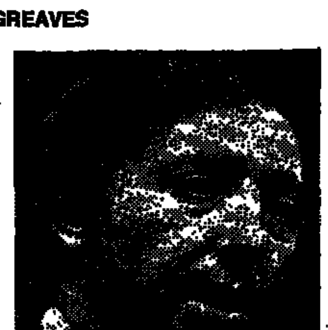
● BUILDING societies are lending money in record amounts, but are also feeling the pinch of falling savings volume.

According to the monthly Building Societies Association figures home loans totalling £2.2bn were made in May, and a further £2.4bn was promised to mortgage applicants. But the societies' net receipts of £482m were the lowest for nearly a year.

Coal chief's higher production forecast met with scepticism

BY JOHN LLOYD AND IAN HARGREAVES

FORECASTS by Mr Ian MacGregor, the National Coal Board (NCB) chairman, that coal production would rise to 125m tonnes "minimum" over the next 10 years were greeted with scepticism in Whitehall – and by his own officials – yesterday.



Mr Arthur Scargill

NCB officials were privately astonished at the predictions, which are considerably higher than the most optimistic assumptions previously made by the board and the Department of Energy, and are as much as double the more pessimistic estimates made by independent experts.

Senior government officials are sceptical of the value of a new Plan for Coal – which Mr MacGregor called for. It was also pointed out yesterday that his assumption of 4 per cent growth in energy consumption would require annual economic growth of 6 to 8 per cent – a figure which the most bullish government minister has never used.

Mr Arthur Scargill, the National Union of Mineworkers (NUM) president, attacked Mr MacGregor's comments from a different angle when he said that the NCB chairman's forecast of a smaller more highly paid workforce would mean that "we are on target for more and more conflict."

He said that Mr MacGregor used the language of "one who tells lies and distorts the facts" and added that "the real intention of the board is to close 70 to 100 pits and reduce manpower by 70,000-100,000."

Mr Scargill has continually stressed that he will not accept a deal which holds out higher pay for fewer miners. The reception accorded to Mr MacGregor's comments casts a pall over the talks, the fourth session of which is scheduled for today at a secret venue.

Yesterday saw an increase of pressure on the NUM from a number of quarters. In Wales, where a day of action drew patchy support mainly in the public sector, the NUM said it would continue to supply coke to the British Steel Corporation's Llanwern plant – in spite of an agreement last week between national leaders of the NUM and transport unions to "blockade" the plants.

Mr George Rees, the area secretary, said: "There is no way we intend to destroy Llanwern. This strike is about maintaining jobs in South Wales." Mr Emlyn Williams, the area president, added "As far as we are concerned we are running the strike here."

In Nottinghamshire, 28 train drivers were sent home at Shirebrook depot after refusing to drive coal trains – but others worked normally. British Rail said the movement of coal was only slightly down on recent levels.

In the Midlands of England, a group of officials at Lea Hall colliery are to take their area leaders to court for barring them from holding office for five years because they continued to work throughout the dispute.

Mr Tony Morris, secretary of Lea Hall branch, said last night that they would also seek an injunction against the national officials for calling a strike which had not had the backing of a ballot.

The numbers of pickets at the Orgreave coking plant, scene of pitched battles between police and miners over the past two weeks, sank to only 12 yesterday. However, pickets were out in force in the Lancashire coalfield, where there were a number of arrests.

The NCB said that 118 pits were on strike or picketed out, with 41 working normally, seven producing some coal and three on holiday. A further six had some attendance, but insufficient to produce coal.

In the House of Commons, Mrs Margaret Thatcher, Prime Minister, deflected calls to intervene in the dispute, and rejected accusations of covert interference. Accused by Mr Neil Kinnock, the Labour Party leader, of "deceit" in claiming non-intervention, the Prime Minister said that government involvement had been confined to providing investment cash and funds for redundancy payments.

Mr David Jones, a Yorkshire miner who died after an incident at Ollerton Colliery in Nottinghamshire in March, collapsed after being hit by a half brick during a fight with local miners, an inquest heard yesterday.

Ministers embarrassed by opposition to Bill

BY OUR POLITICAL CORRESPONDENT

THE GOVERNMENT was yesterday bracing itself for a difficult time during the committee stage in the House of Lords of its Bill to cancel next year's elections to the Labour-controlled Greater London Council and the six metropolitan county councils.

This follows a heated seven-hour debate in the Lords on Monday night after which, in a division, the Government could only muster a majority of 20 votes, by 237 to 217. The opposition parties claimed a moral victory.

Ministers have since acknowledged privately that they have been embarrassed by the strength of the Lord's challenge to the Bill, which is paving the way for the Government's abolition of the councils. Some leading Conservative MP's, including Mr Edward Heath, the former prime minister, have attacked the Bill in the House of Commons, as undemocratic.

There is doubt whether the Government will be able to rally some of its more elderly supporters in the Upper House throughout the committee stage, which is due to start at the end of the month. But it is not yet clear where the Government may be prepared to give way in order to get the main body of the legislation passed in the current parliamentary sessions.

Lord Bellwin, Minister for Local Government, denied yesterday that there was any possibility of the Bill being blocked. "Of course it will go through," he said. The Bill could hardly have come as a surprise, he added, because it was clearly set out in the Tory Party's policy statement for the 1983 general election. The Lord's debate, he said, was only about "mechanics and procedures."

Local government leaders yesterday welcomed the close result of the Lords debate. Mr Jack Layden, chairman of the Association of Metropolitan Authorities, said that if the Government had any respect for the will of the people, it would reconsider the Bill.

"The vote condemning the Bill was lost," he said. "But the overwhelming impression left by the debate is a widespread alarm and dismay at the way the Government is behaving. In voicing those fears, peers were accurately reflecting the feelings of people at large."

Andrew Fisher reports on a group's strategy of rationalisation and investment

How DRG repackaged itself to survive

DRG, the paper, packaging and engineering group based at Bristol in west England, took a long hard look at itself towards the end of the 1970s and decided that something had to be done. It has been smartening itself up ever since.

Not only did DRG employ far too many people but production costs were too high and the company, whose brands of stationery are familiar to almost anyone in Britain who has ever written a letter, was making too many products.

So there have been sharp cuts in all three areas. "In many ways," recalls Mr J. Moger Woolley, assistant managing director, "we've gone through, in a compressed timeframe, what we should have done earlier. The recession made us go faster."

The group has been careful to keep investing but has trimmed production and payroll costs. Around 7,000 jobs have gone in the UK and over 4,500 overseas, mostly in South Africa where DRG sold its packaging and stationery interests for some £20m in 1983.

The company now employs just over 15,000 people. In 1979, before it shut its biggest UK paper mill, the numbers were about 27,000, with more than a third employed overseas.

The pruning is not yet over, Mr Woolley says. "I see us continually readjusting our stance." DRG, he adds, still has some way to go in "breaking the historic mould." There is, for example, greater labour flexibility in some areas, but not yet in all.

DRG's business spans four main activities: packaging, stationery, trading (office equipment, distribution and printing supplies), and engineering. Its pre-tax profits slid from £27.7m in 1979 to £18m the following year and fell to a low of £12.5m in 1982. They bounced back by 29 per cent last year to £16.1m on sales of £543m.

Mr Barry Stevenson, the finance director, who joined DRG two years ago, emphasises that strategically DRG has stuck to its guns in the past few years. A lot of papermaking capacity was shed as intended – the fall was from 15 machines to three – a specialised medical packaging company was sought out and bought in the U.S. and DRG moved into the business of selling other companies' office and printing products.

Despite problems last year in the trading sector, due mainly to overpaid expansion, DRG sees strong potential there. Supplying equipment for the office of the future as well as stationery for those of the present is a key part of its strategy.

"Having come through the recession, management has not solely been on the defensive," Mr Stevenson says. "There is a great danger in recessionary times that you think about survival and cutting costs all the time."

Thus in the past five years, DRG's capital expenditure has totalled £108m. It has spent a further £33m on buying new businesses – it paid nearly $10m (then equivalent to £5.2m) in 1982 for the Fordem medical packaging concern in Wisconsin, U.S. – and has sunk £35m into reorganisation, though most of that has covered redundancy costs.

Product rationalisation has proceeded apace. DRG has whittled down its list of around 4,000 different stationery products to about 1,000. It intends to make far greater marketing and promotional use of its famous brand names – Basildon Bond, Queen's Velvet and Three Candlesticks in stationery, and Sellotape, the transparent adhesive tape.

Like many other paper companies in Britain and around the world, the company found itself struggling to make money in this sector in the late 1970s as a result of poor demand, high energy and interest costs and stiff competition from lower priced imports.

It also had an overmanning problem and, near the end of 1980, it took the difficult decision to close its largest paper mill in the UK, Croxley Mills in Hertfordshire, with the loss of 750 jobs.

DRG announced the move in a year which had already seen the closure of 14 paper mills in the UK, with the disappearance of 8,400 jobs. Its branded office paper products, Croxley Script, Duplicator and others are now made at the nearby Nash mill.

It also closed in 1980 a gummed-paper tape business and a waste-based kraft paper mill. But it bought the A.C. Barratt group, which gave it the distribution network for its new trading division. In 1981, the calendar and diary company was sold off to the management.

The following year, DRG closed box, envelope, paper cup and board plants and started negotiating the sale of its South African interests.

The South African sale, after poor results in the face of hefty local competition, cut the group's borrowings by a net £30m. The group's debt/equity ratio dropped from 86 to 53 per cent and is now down to just over 40 per cent. Since 1979, borrowings have been cut from £83m to £38m.

As well as straining to conserve cash, DRG has thrown its purchasing net wider – spreading purchases across several European companies has cut the cost of board for cartons by a fifth – and squeezed better credit terms out of suppliers.

It now occupies only five floors of its 13-storey building in Bristol. Soon, it will only need four. Increased decentralisation is one reason. Another is the aim to maximise revenue from the building through renting out as much of it as possible.

DRG is still looking for new opportunities. "We are going to try and remain extremely focused if we can," said Mr Woolley. But acquisitions, with U.S. companies a prime target, must be manageable. "We are looking for easy add-ons rather than a big kick."

There is, he is convinced, still plenty of scope to boost returns on present activities. Output is nearly $200,000 a head a year at the Wisconsin company – "far ahead of anything we've done in this country." Output is also much higher than the DRG norm at another new company, Precision Rotoform, a UK polypropylene container maker which was bought last year.

DRG'S KEY FIGURES

	1983	1979
Sales	£543.4m	£448m
Exports	£58m	£65m
Pre-tax profits	£16.1m	£27.7m
Capital employed	£141m	£185m
Employees	15,409	27,014

It may be unfair to make such straight productivity comparisons with older, larger businesses. But DRG is working hard to bring in more flexible shift and working practices when it invests in new machinery, such as its new high-speed envelope machines. Production of both envelopes and Sellotape, where applications have been widened beyond the household into the industrial and do-it-yourself markets, have been consolidated on to single sites.

DRG's chairman and managing director, Mr John Camm, who has overseen its change of gear since the 1970s, is recovering from an illness. The group's approach is summed up by Mr Stevenson: "Management must get the balance right between survival and investing in the future. There is just a danger that you are so busy cutting costs that you find there's not much of a business to run at the end of the day."

Tomorrow: Brown Boveri Kent

The articles in this series will be published as a booklet available from the Publicity Department of the Financial Times.

Businessmen 'disillusioned with EEC'

By Sue Cameron

BRITISH BUSINESSMEN have become disillusioned by the European Community's failure to honour the free trade principles of the Treaty of Rome, Mr Walter Goldsmith, director general of the Institute of Directors (IoD), said yesterday.

Speaking at a Chamber of Commerce lunch in Aberdeen, North-east Scotland, he said a survey of IoD members had shown overwhelming support for greater competition in the European Community's internal market.

A total of 84 per cent of those surveyed wanted the UK Government to support proposals to end non-tariff barriers in the Community.

The same survey, which covered 200 IoD members, found that only 24 per cent of those questioned felt their businesses had derived any tangible benefit from Britain's membership of the Common Market.

But Mr Goldsmith said the EEC's institutions did not give enough attention to removing obstacles to free trade. He claimed they were "prone to create a common bureaucracy rather than a common market."

He attacked EEC attempts at social engineering, stating that they had nothing to help create new jobs. Yet over the last decade the U.S. had been able to provide 14.5m new jobs – net.

Mr Goldsmith also attacked "arbitrary product standards and arbitrary rules for product testing and certification." He said these were "all too often simply excuses for protectionism," and he called for a European standards institute to be set up to stop national product standards being used as a form of protectionism.

It had been estimated that a "staggering" £37bn a year was being wasted because of nationalist public purchasing practices in the Community and because of delays at frontiers."

Highest-paid civil servant appointed

BY ALISON HOGAN

MR TONY WILSON will become the highest paid civil servant in Britain when he becomes head of the Government Accountancy Service on October 1 at a salary of £75,000.

It is almost certainly a cut in his present salary as a senior partner of the firm of chartered accountants, Price Waterhouse.

His appointment ends a two-year search by the Government for a replacement for Sir Kenneth Sharp, the first head of the service whose term of office expired last October. He was paid the £37,500 salary of a second permanent secretary.

The failure to find a successor provoked strong criticism from the all-party Treasury and Civil Service committee of the House of Commons. The MPs felt that the delay could undermine the Government's financial management initiative.

Sir Peter Middleton, Treasury permanent secretary (who will be on a salary of £51,250 from November) yesterday denied the initiative had been harmed. The Treasury, he said, had used consultants and established a financial management unit jointly with the Cabinet Office. The unit would be wound up when Mr Wilson took up his post.

Sir Peter also described as "a load of tosh" the criticism by the Treasury committee and Sir Kenneth that the decision not to grade the post at the level of second permanent secretary downgraded the position and might have deterred applicants.

"He will be a part of the Treasury first 11 and have more power than Ken Sharp ever had," said Sir Peter.

By leaving the post ungraded, he said, the Government was able to offer the salary necessary to attract a suitable candidate.

Mr Wilson, aged 56, a partner for 23 years with Price Waterhouse, has considerable public sector experience. He worked with British Gas and assisted the Government in the compensation arrangements for the nationalisation of the shipyards and in the privatisation of Associated British Ports.

He will head a team of about 700 accountants in the Government Accountancy Service.

Sinclair sets up European marketing base

By Jason Crisp

SINCLAIR RESEARCH, the leading British home computer company, is setting up new marketing operations in West Germany and France. The move is part of a drive to increase sales in Europe where the personal computer boom is beginning to take off.

The ZX81 and Spectrum computer are already sold in France and West Germany through local distributors. The new offices will be responsible for marketing and business strategy in those countries. Sinclair is expected to strengthen its distribution and is considering major advertising campaigns. It will also encourage the development of software in local languages.

Sinclair exports half its monthly production of 100,000 units. Its only other office outside Britain is in the U.S. where it is not selling any computers at present. Later this year, however, it will start selling the QL in the U.S. The QL is Sinclair's most powerful computer to date, selling at £400 in the UK

The company expects to sell 500,000 computers in continental Europe this year.

Lloyd's reprimands two underwriters

BY JOHN MOORE, CITY CORRESPONDENT

THE RULING authorities of Lloyd's, the London insurance market, have reprimanded two underwriting members and imposed fines totalling £1,500. It is the first time that Lloyd's has implemented its disciplinary powers publicly under its new self-regulatory legislation.

Mr James A. Pearman, has been asked to pay £1,000 and Mr Richard S. L. Pearman £500. They are both partners in the Bermuda law firm of Conyers, Dill and Pearman, one of the largest legal practices on the island.

The move follows an investigation by Lloyd's into the relationship of Mr Raymond Brooks and Mr Terence Dooley, who ran the Brooks and Dooley underwriting agency at Lloyd's, with the Fidentia Marine Insurance Company of Bermuda.

A 231-page internal report on the Fidentia case found that reinsurance contracts had been arranged by Mr Brooks and Mr Dooley in a way which provided financial benefit to Fidentia, which they both controlled, at the expense of the Lloyd's syndicates under their management. Fidentia gained a net $6.2m.

Mr Richard Pearman and Mr James Pearman were both asked to appear before the Lloyd's inquiry in connection with the Fidentia affair. The two men acted as legal advisers to Fidentia and were non-executive directors of the Bermuda insurance company.

They were also trustees of a discretionary trust, which through Coral Holdings was the holding company of Fidentia. But the Pearmans declined to appear before the committee of inquiry and argued that they could be required to attend and give evidence only in relation to knowledge acquired solely in their capacities as members at Lloyd's.

They claimed legal professional privilege in their capacities as legal advisers in the matter, and they argued that they could not add to information already supplied to the committee of inquiry.

Both men declined to exercise their right of appeal.

Talbot gets more time to repay £28m loan

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THE BRITISH Government has given Talbot UK, part of the French-owned Peugeot group, more time to repay a £28m loan.

The unsecured loan, which attracts interest of 11.9 per cent, was due to be repaid in half-yearly instalments from 1985 to 1990.

After Talbot's recent decision to invest a further £20m in its UK facilities and to introduce a new car to its Ryton, Coventry, plant, from the end of next year, the Government has decided to change the terms.

The loan will now have to be repaid between 1990 and 1995.

The loan was one of two made to Chrysler UK in 1969 when it ran into financial difficulties. When Peugeot acquired Chrysler's European assets in 1979 the British Government agreed that the loans could remain in place.

However, in July 1980, Peugeot repaid one of them, a £27m loan which was secured on UK assets. The debt was switched to another form of borrowing – a 10-year Eurosterling bond issue – which also saved the French group a few percentage points of interest.

Last year the Government threatened to call in the outstanding £28m loan when a row blew up about the closure of Talbot's engineering centre in Britain. The loan could be repayable immediately if there was "any substantial change" in Talbot's operations in the UK. The Ryton plans have now removed that threat.

Talbot UK is the smallest of the four UK-based car producers. It made a net profit of £3.1m last year compared with a £45.7m loss for 1982 and expects to remain marginally profitable in the short term.

It last made a profit in 1973 – £3.75m – and since then the company has accumulated losses of £392.2m.

The Peugeot group as a whole has not made a profit since 1979. Last year its losses reached FFr 2.5bn compared with FFr 2.15bn in 1982. The group expects its financial performance to improve this year but recovery hinges on efforts to reduce the workforce of the Citroen subsidiary by 6,000 this year.

● Austin Rover, BL's subsidiary, has appealed to the Department of Transport to change the system under which a different prefix letter – this year it will be "B" – is introduced to vehicle registrations in August.

Any change at all would be of benefit to UK-based car producers, Austin Rover argues. If there has to be a letter identifying the first year of a vehicle's registration, it should be changed in October, says Mr Mark Snowdon, managing director, commercial.

In every other European country car sales are very low in August, which is traditionally a holiday month on the Continent. "Continental car plants would be empty in June and July without right-hand-drive cars to build for Britain", he maintains.

Mr Snowdon suggests that the current system particularly helps Ford, the UK car market leader, to keep its continental factories operating at reasonable levels during what would otherwise be a slack time of year. Austin Rover, which has no continental plants, does not have this flexibility.

Last year the introduction of the "A" registration prefix produced a record 374,599 new car sales in August – representing 21 per cent of the total 1983 market.

THE ARTS

Barber's 'Lovers'/Elizabeth Hall

David Murray

General interest in Samuel Barber's music waned long before his death three years ago; probably his *Antony and Cleopatra*, which so signally failed to provide a triumphant opening for the new Metropolitan Opera, tipped the balance. Yet it seems wrong that an ambitious late piece like *The Lovers* (1971) should have reached Britain only now. Can it be that the choruses and audiences who would find its bland idiom appealing are also the ones who would find the violently erotic Neruda texts most embarrassing?

Monday's performance by the Academy of London and their Choir under Richard Stamp was unembarrassed, and very well prepared. The Academy strings strove mightily to suggest a full orchestral complement, though two double-basses were plainly too few. *The Lovers* is a cycle of nine songs (set in translations by Christopher Logue and W. S. Merwin), passing from bodily raptures to separation and grief—six choral songs, professionally fluent and effective, and three for solo baritone (Gary Kendall here), of which two aim rather cautiously at earthy bluntness and the third settles for conventional high-style lamenting. These latter fail to strike any more poignant vein than the rest, though Mr Kendall did his best by them.

There are several two-bar phrases, instantly memorable and forgettable, which Barber repeats in sequences, with mildly "evocative" obbligati for his favourite solo winds. There is some luscious writing for the cellos, who delivered it with evident satisfaction. For a cycle that lasts more than half an hour, there is nothing sufficiently like a passionate height from which the concluding despair might be measured: in fact the erotic climate is almost comically temperate, given the sensual candour of Neruda's poems. But it is all easily digestible stuff; palatable—well, that depends on your palate.

The evening had begun with Mozart. The 33rd Symphony aroused Stamp's most aggressive instincts, as unfortunately Mozart seems to do: no Allegro was *assai* for him, which meant that we got a hell-for-leather Finale in which every tune was hard, flat and metallic. Stamp relented for his young American soloist Keith Snell in the C minor Piano Concerto, K. 491. Snell displayed a bright, even touch, and some modest good sense if no special character yet. Repeated notes in themes—*a feature of this concerto*—were always *exactly* similar, not a good idea: that turned the Larghetto tune into a sleepy nursery rhyme.

Womack & Womack/Dominion

Antony Thorncroft

In the pop aristocracy Cecil Womack and his wife Linda must rank as a duke and duchess of soul. He has brother Bobby (currently high in the charts), she is daughter of Sam Cooke. They have been writing songs since their early teens: Cecil (with brother Bobby) was responsible for the Rolling Stones "It's all over now." After years of quiet composing they have now become performers, mainly to promote their well received "Love Wars" album. Hence a visit to the UK.

Their inexperience shows in their inability to leave the audience alone: "are you having a real good time?" they earnestly ask, indulging in that weakness of soul performers to manufacture word rather than let it develop organically which is what soul music should be all about. It took an hour for the stalls to rise up and sway but the Womacks eventually won through to a happy concert.

There is something appealing about a husband and wife team. He propositions her in song; she looks coy but interested. She sings of woman's worries while he thoughtfully plays the guitar. Their long roots provides them with fine songs. "Its all over now" lacks Jagger's sneer, but as compensation their version of the Stones "Angie" was a poignant highlight, and Marvin Gaye's "Sexual healing" was a triumph for the marital state.

The audience preferred the latest songs, about broken relationships and sexual sparring, and in truth when Joe Sample of the Crusaders came on for some soul instrumentals the human touch, which was the attraction of the evening, faded. The band, which looked like a British scratch outfit, played nobly and as Womack sparred with Womack "love, peace, and soul," the couple's musical creed, did not seem any more fanciful that usual.

Soul music survives because it has sentiment, missing from much modernistic pop. It is absent from the songs of Hurrah, boys, hurrah, a new band currently working the pub and club scene. At the Greyhound in Hammersmith they impressed with their material; their use of twelve string acoustic guitars, which builds up an insistent sound; but need to project to an audience rather than to their key followers.

Saleroom

Antony Thorncroft

A record auction price for an item of European porcelain was set at Sotheby's yesterday when the London dealer, Winifred Williams, paid £126,500 for a rare Sèvres "Rose Pompadour" ewer and basin of 1757. It had been estimated at around £25,000.

Sotheby's was selling one of the best collections of Sèvres and Vincennes porcelain to appear on the market for years and new high price levels were established. A large Vincennes tankard and cover of around 1753 trebled its forecast at £36,300, and Williams paid £33,000 for another "Rose Pompadour" ewer and basin. A third, this time with a green ground, made the same price.

Two Vincennes watering cans, perhaps used by Madame de Pompadour to sprinkle with scent her porcelain flowers, made £31,900 and £30,800, both to Winifred Williams.

The previous highest price for European porcelain was £105,000 paid for a Meissen macaw in the von Hirsch sale. The major disappointment, in a sale which totalled £685,971 in the morning session, with just 8 per cent bought in, was a pair of "Rose Pompadour" bulb pots which made £12,000 at the Mentmore sale of 1977 but failed to find a buyer yesterday.

Among the scientific instruments in a morning auction a rare John Logie Baird televisor of around 1930 sold for £1,760 and an early stethoscope of around 1830 made £1,540. A set of Sewell and Young gun metal Imperial bell weights of 1795 realised £1,980.

Terry Wogan (far left), could be the weapon of Bill Cotton and Michael Grade (right and far right), the new team at the BBC, to improve ratings and to change the erudite approach of Aubrey Singer (left).

Television/Christopher Dunkley

BBC makes light of the news

Whither British television? Only a short time ago this column was among the leaders of a chorus forecasting imminent (well, fairly imminent) revolution: what with the British taking to video recorders like ducks to water, the burgeoning of independent companies inspired by the development of Channel 4, the granting of cable licences and the coming of satellite systems it really did look as though we were rapidly approaching the end of an era.

The old paternalistic duopoly of BBC/ITV would slowly decline into respected dotage and the viewer would become king. Diversity was the name, multiplicity the game: no longer would we be limited on Saturday afternoons to a choice of 35-year-old movies or sport, no longer obliged at 8.30 on Mondays to choose between the current affairs double on BBC1 and ITV and the comedy repeat double on BBC2 and C4. Instead of pinky-white candy floss for breakfast on BBC1 and whitey-pink candy floss for breakfast on ITV we would be able to choose real nourishment from a 24-hour news channel or something totally different from a half a dozen others.

Well perhaps it will all happen one day. There are places in Canada and the U.S. where the revolution has already occurred, but returning from a three-week stay in North America it is significant to find that the big furore in England is over the scrapping of BBC1's *Sixty Minutes*. Such a move was wholly predictable (the prediction appeared here) 15 weeks ago when Bill Cotton was appointed managing director of BBC Television, though the two events do not represent cause-and-effect but common cause.

Yet the dropping of *Sixty Minutes* cannot really be considered even in symbolic terms as the start of a desperate Tsarist attempt to hold out against the revolutionary onslaught. Cable now looks such a slow starter that its chances of ever causing a revolution appear slim, especially with 35 per cent of Britons already expanding their choice with video recorders. Direct satellite broadcasting looks even less likely to overthrow the current system since the only people now involved in even talking about DBS are the BBC and ITV: the leaders of the Soviet turn out to be twin Tsars. So the dropping of *Sixty Minutes* can hardly be seen as a last-ditch stand at the Winter Palace. On the contrary it looks like the first move in what will very probably be a successful BBC offensive aimed at regaining its hold on a 50 per cent ratings share.

True it seems a little Quixotic to scrap a news/current affairs/regional programme running from 5.40 to 6.40 only to replace it with a news/current affairs/regional programme running from 6.00 to 6.50 which is the plan from the end of August. It seems particularly odd when you consider two things. First *Sixty Minutes*, having scarcely had the time to overcome the inevitable teething problems of any major current affairs show, was not doing all that badly. Its ratings were sometimes better than those of its predecessor *Nationwide*.

Secondly the ITV opposition at this time is very strong: many of the six-o'clock regional news magazines such as *Scotland Today*, *Northern Life* from Tyne Tees and *Lookaround* in the Border area, feature in local Top Tens. Thames Television boasts that in London its *Thames News* at 6.00 gets six viewers for every four watching *Sixty Minutes*. Furthermore *Crossroads*, one of the two giant soaps dominating the national Top 10, starts at 6.30 on Mondays, Tuesdays and Wednesdays. The BBC decision to run national news at 6.00 against the popular ITV regional magazines and then its own regional magazines immediately after ITV's and bang up against the even more popular *Crossroads* looks suicidal.

It makes some sense, however, if you consider the *Sixty Minutes* moves as a symptom. In the past year, with Channel 4 winning 5 per cent of the audience, commercial television has been creeping towards a 60 per cent national share leaving the BBC with just 40 per cent at the very time when they feel they most need a good share to support their application for a licence fee increase.

Now Aubrey Singer, a man identified with such series as *The Ascent of Man* and *America*, has been replaced by Bill Cotton, a man identified with such programmes as *Top Of the Pops* and *The Generation Game*. It has just been announced, moreover, that in September Michael Grade, former programme controller of London Weekend TV, and a man known more for his attachment to soccer and comedy than to current affairs, is to succeed Alan Hart as controller of BBC1. Cotton and Grade are not anti-intellectual philistines, but they certainly appear to be a tougher audience-winning team than their predecessors.

In the light of these appointments the scrapping of *Sixty Minutes* begins to look like a deck-clearing operation, and the most significant part of it could be the appointment of Ron Neal to edit the new six-o'clock sequence. Neal is the man who launched the BBC's slick and populist *Breakfast Time*. Given the entrail-reading habits of those in the traditionally warring BBC departments of News and Current Affairs this could be seen as one-up to current affairs. Yet many of the current affairs staff at Lime Grove are now feeling more despondent than ever.

They look back five of six years to a time when their department produced an hour long *Nationwide* and a half-hour *Tonight* for BBC1 every day and 40 minutes of *Newsday* for BBC2 as well as *The Money Programme* on Sundays and *Panorama* on Mondays. Now *Nationwide* has gone, its successor *Sixty Minutes* is going, and the current affairs content of the new programme will last 20 minutes and (it seems) include a regional opt-out for local magazines.

Furthermore *Tonight* has gone and *Newsnight* appears not on BBC1 but BBC2 and is produced not from the Current Affairs department at Lime Grove but from TV Centre, headquarters of the News division. True *Breakfast Time* is an innovation, but it goes out early in the morning and wins a comparatively small audience. To cap it all *The Money Programme* has had a truncated season this year and *Panorama* was taken off the air to accommodate *The Thorn Birds*.

What the entrails seem to suggest is that even if the BBC's total current affairs output is sustained (which is far from certain) serious daily analysis and background to the news is being pushed to the margins and BBC1—so far as popular viewing times are concerned—looks like the chosen vehicle for ratings winning entertainment.

What we really need to know before we can be sure of the significance of the whole business is what Grade will be scheduling on either side of the six o'clock slot. (Which, incidentally, has traditionally been protected from the encroachment of entertainment by the BBC Board of Governors.) If you are putting money on it then game shows and Terry Wogan look like better bets than symphony concerts or classical drama.

If any doubts were left regarding the likely slowness of the famous revolution Monday's decision by the ITV companies not to pursue their plans for all-day entertainment ought to banish them. Having previously persuaded the Independent Broadcasting Authority to allow them to shift schools' programmes on to Channel 4 and extend their daytime entertainment from the end of breakfast television to the start of evening programmes, the companies have now decided against the idea.

It was largely a response to the supposed double threat from the BBC which switched its schools' programmes to BBC2 last autumn to make room for *almost-all-day entertainment on* BBC1, and from cable television. The companies, it seems, now regard both threats as too insignificant to bother about.

It is fashionable nowadays to dismiss the idea that the sixties were a "golden age" in British television with the claim that memory lends a spurious glow to everything from *Z-Cars* in 1960 to *Monty Python's Flying Circus* in 1969 including *The Wednesday Play*, *Tonight*, *Steptoe And Son* and all those other series which seem so outstanding in retrospect. But the recent experience of watching *Elgar* and *Song Of Summer* again—Ken Russell's biographical films about Edward Elgar and Frederick Delius made for BBC1's *Monitor* in 1962 and 1968—suggests otherwise. Shot in black and white they both compare more than favourably with anything we are offered today. Watching *Song Of Summer* last week I was struck by the tremendous care Russell took in composing his images. Today's directors may be great props buyers but none of them have Rusell's visual sense.

Milstein/Festival Hall

Max Loppert

Nathan Milstein will be 80 in December; Monday evening's recital, the first here for some while, must presumably be counted an episode in his pre-birthday celebrations. It was a disconcerting experience. For anyone who grew up with the sound of Milstein's violin (at least as conveyed on records) in his head, with the image of glittering aristocratic distinction of style carried upon perfect intonation and a line as chastely and tautly moulded as a great Russian ballerina's, these performances of Bach, Beethoven, and Franck had of necessity to be supplemented with the resources of memory.

For though in the Bach C major Sonata BWV 1005 the unforced, unsullied style was recognisable, and though in sonatas by Beethoven (Op.30 no. 3) and Franck there were moments when the clouds cleared and the line emerged with characteristic sweep, it has to be admitted that the effects of intonation no longer wholly reliable and of bow-arm power notably reduced were both particular and cumulative. One had at times the strange impression of a familiar figure suddenly sheathed in misty veils; art based so centrally on purity of technique is inevitably diminished when the apparatus supporting the technique starts to seize up.

The largest amount of "real" Milstein came in the second half, before the Franck performance, in the player's own famous Paganini confection for solo violin. Here there was at least a continuous suggestion of virtuoso brilliance transmuted, of "fiery temperament . . . firmly disciplined" which Boris Schwarz proclaims in the *New Grove* Milstein entry. In the duo sonatas the pianist was Georges Pludermacher, sensitive but discreet to the point of self-effacement.

Delicatessen/Half Moon

Michael Coveney

Delicatessen is an adaptation by David Hemblen and the director, Derek Goldby, of a 1980 French play, *Charcuterie Fine*, by Francois-Louis Tilly. In one scene, the loutish drunken son of the house brusquely, but perfectly correctly, picks up a kitten by the scruff of its neck. He also bangs on the side of a goldfish bowl, removes the goldfish three times, places it on the blue and white checked table cloth and finally returns it, safe and sound, to the water.

Monday's opening was disrupted by chants on the pavement from some raggle taggle animal abuse wallahs, none of whom could possibly have sat through the 90-minute production and remained indignant. At least Peter Brook actually burned a butterfly in US. Are we now to have Launce separated from his dog, Annie from hers and no more parrots in *Treasure Island*? Have these people nothing worthwhile to protest about?

Most theatrical evenings can survive a few extraneous buffets and biffs, but this is a mood piece, played in five short scenes, wilfully following the real time of the stage action. It is likely a haunting amalgam of one of those violent German *contemporary* dramas by Kroetz and the time stretching antics of Robert Wilson.

The English theatre rarely experiments with pace in this way and while there is a limit to the fascination with which you can watch somebody peel a potato very slowly or wash up a coffee cup ditto, Tilly undercuts continuously with banalities such as "Old Mrs Young died" which are then stitched into the fabric. When the fanatically tidy-minded mother says the customers must walk through mud on purpose before coming to the shop, however, the line is ruined by someone shutting a door. Mr Goldby's production will no doubt iron out such creases: the show is not yet as brutally clinical as Andy Phillips's lighting.

The kitchen clock turns through 21 hours, from silent morning illuminated only by the light of an open fridge door, ending with a savage domestic crisis as the rain beats down. John Joyce and Gillian Barge are the parents living a silent, defeated life away from the shop counter, and there is an absolutely spellbinding performance by Rob Dixon as the son who makes his final defiant protest with the deeply unsettling destruction of the family's provisions. The cruelty to eggs should appeal to some loony or other.

One slight worry is the transposition of the action from France to England. Brigitte Bardot and Lourdes do not mean quite the same things here, and very few Catholics, as far as I know, run delicatessens. Better to have stayed in France, I feel. Then perhaps we could have had some frogs' legs in the fridge for our friends to object to. And what about those lumps of frozen cow?

Alastair Muir

Robin Herford and Lavinia Bertram

Intimate Exchanges/Greenwich

Martin Hoyle

There are 16—yes, 16—versions of Alan Ayckbourn's offering, consisting as it does of eight different plays, each capable of variations. A diagram in the foyer, at first glance a complicated genealogical tree, proves to be the plotting of possibilities and permutations that ideally require a computer to clarify them in what looks like a cross between Priestley's *Dangerous Corner* and a game of Consequences.

Ayckbourn suburbia unrolls before us: put-upon wives, alcoholics, the cheerfully ineffectual, the fantasists, the disapproved of and envied—the middle class, in short, teetering on the brink of corporate incomprehension as it flounders through cross-purposes, dreams and disappointments.

The action revolves, lurchingly, round Bilbury Lodge, a preparatory school run by wry, tippling Toby, sporting the cravat and shooting-stock of his type. His frustrated wife teams up with the gardener-caretaker to start a catering business: their attempt to provide tea for the VIPs on the school sports day ends in disaster and a nervous breakdown. The last scene, in the form of an epilogue, takes place, in all versions, in a churchyard. It may depict a funeral a christening, a wedding or whatever a throw of the dramatic dice dictates.

On the credit side, too, is the new complexity of Ayckbourn's men. Toby is not the crassly unfeeling bully found in *Just Between Ourselves* or *Absent Friends*. He reads the Guardian and his extensive hates include the police as well as pornography, "filthy floodlit cricket" and the price of whisky.

The playwright resorts increasingly to farcical set-pieces, his inventiveness perhaps exhausted by the gimmick of having only two players. Ultimately the naturalistic style is scuppered by an alienation effect as one waits expectantly for the next exit and, after the requisite pause for costume and wig-change, re-entry (the dressers earn their money in this play). And we know, alas, that as a couple tussle frantically on the ground they will not be comically surprised by a third person.

Despite the author's own direction, and brilliant acting from a dedicated duo, the play emerges as a series of vignettes, disjointed and protracted. All praise to Robin Herford, just right as the rustic muddler, slightly exaggerated as Toby, but in general very funny. Lavinia Bertram provides moments of great comedy: she can even differentiate between upper-middle class accents. But I'm not sure that I'm interested enough to go seven—let alone fifteen—times again.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

June 8–14

Theatre

LONDON

Little Shop of Horrors (Comedy): Campy off-Broadway import which is less good than The Rocky Horror Show but which has a curious charm, a full-blown performance from Ellen Greene and an exotically expanding man-eating prickly plant. (930 2578).

Pack of Lies (Lyric): A decent, enthralling play about the breaking of a spy ring in the suburban Ruislip of 1959-60. Hugh Whitemore's script cleverly constructs a drama about betrayal from the friendship of neighbours. The story is based on fact and well directed by Clifford Williams. (437 3686).

The Real Thing (Strand): Susan Penhaligon and Paul Shelley now take the leads in Tom Stoppard's fascinating, complex, slightly flawed new play. Peter Wood's production strikes a happy note of serious levity. (836 2660/4143).

Daisy Pulls It Off (Globe): Enjoyable romp derived from the world of Angela Brazil novels: gym slips, hockey sticks, a cliff-top rescue, stout moral conclusion and a rousing school hymn. Spiffing if you're in that sort of mood. (437 1592).

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Serjeant Musgrave's Dance (Old Vic): Notable cast headed by Albert Finney, Eileen Atkins and Max Wall in a limited season revival of John Arden's fine play. (928 7616).

Pygmalion (Shaftesbury): Peter O'Toole is ridiculously mesmerising as Higgins in an otherwise coarse revival of this resiliently entertaining play. John Thaw is a robust Doolittle, Joyce Carey a fragile Mrs Higgins, Jack Watling a compliant Pickering, Jackie Smith-Wood an earthy but dubiously Cockney Eliza. (836 6596).

Benefactors (Vaudeville): Michael Frayn's third play in London – he also has *Noises Off* and his Anouilh translation, *Number One*, at the Queen's – is a deft, menopausal comedy about love among the architects as the bottom drops out of the high rise boom in the early 1970s. Michael Blackmore's case are Patricia Hodge, Oliver Cotton, Tim Pigott-Smith and, best of all, Brenda Blethyn. (836 9988).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rusing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

Measure for Measure (Barbican): Juliet Stevenson as Isabell confirms her promise as the RSC's brightest young actress, a worthly successor to Ashcroft and Dench, in Adrian Noble's resplendent production. (628 8795).

Strange Interlude (Duke of York's): Glenda Jackson leads a superb revival by Keith Hack of O'Neill's five-hour threnody of sexual lament. The famous interior monologue device is turned brilliantly to stylistic advantage. Fine acting too from Brian Cox, Edward Petherbridge, James Hazeldine. (836 5122).

West Side Story (Her Majesty's): Classic musical returns to its original London home with a fresh young cast of good singers and dancers. The thrills and spills of Bernstein's score and the Robbins choreography remain breathtakingly intact. (930 6606).

NEW YORK

Romeo and Juliet: Joseph Papp's Shakespeare Festival is performing in the city parks this year the Riverside Shakespeare company's version of Heartbreak in Verona. All performances free with the encouragement of bringing a blanket and picnic. (877 6810).

Sunday in the Park with George (Booth): Not your conventional musical. Stephen Sondheim's latest is an inspired pairing with director and playwright James Lapine to bring George Seurat's painting to life, with Mandy Patinkin as the painter and Bernadette Peters as his imagined girlfriend, Dot. (239 6262).

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T. S. Eliot children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the apropriately brash and leggy hoofing by a large chorus line. (977 9020).

Torch Song Trilogy (Helen Hayes): Harvey Fierstein's ebullient and touching story of a drag queen from backstage to loneliness incorporates all the wild histrionics in between, down to the confrontation with his doting Jewish mother. (944 9450).

Dreamgirls (Imperial): Michael Bennett's latest musical has now become a stalwart Broadway presence despite the forced effort to recreate the career of a 1960s female pop group, a la Supremes, without the quality of their music. (239 6200).

Nine (46th St): Two dozen women surround Sergio Franchi in this Tony-award winning musical version of the Fellini film 8½, which like the original celebrates creativity, here as a series of Tommy Tune's exciting scenes. (246 0246).

On Your Toes (Virginia): Galina Panova with presumably a genuine Russian accent leads an exuberant cast in the remake of Rogers and Hart's 1936 sendup of Russian ballet tours, complete with Slaughter on Tenth Avenue choreographed by George Balanchine and directed, like the original, by George Abbott. (977 9370).

Brighton Beach Memoirs (Neil Simon): If he wasn't sure before, playwright Neil Simon can expect a long run of his funny as well as touching childhood reminiscences now that the Nederlander organization has generously decided to name the theatre after the generation's outstanding box office draw. (757 8646).

The Real Thing (Plymouth): After 14 months in London, Tom Stoppard's latest giggle at the English intelligentsia, with a new-found attention to the heart that beats beneath the veneer, arrived on Broadway in a cast headed by Jeremy Irons and Glenn Close, directed at a fast clip by Mike Nichols. (239 6200).

CHICAGO

E. R. (Forum): Moving into its second year parodying melodrama in a hospital setting, this emergency room continues its adventures among a young doctor, a receptionist and an authoritarian nurse. (496 3000).

Three Moscowteers (Goodman Mainstage): The juggling Karamozov Brothers have adapted their own version of Dumas to post-Revolutionary Russia with a troupe of jugglers and vaudevillians. Ends July 8. (443 3820).

WASHINGTON

Henry V (Folger): Philip Kerr directs the resident acting company led by Edward Gero as the charismatic Henry to the field of Agincourt, facing John Wylie as King Charles. Marjory Wright, the wife of the British Ambassador, plays Mistress Quickly. Ends July 1. (546 4000)

Happy End (Arena Stage): The final production of the subscription series is the Brecht-Weill musical with a cast of 24 directed by Garland Wright. Originally the sequel to Threepenny Opera, set in Chicago in 1919, it stars Marilyn Caskey as the Salvation Army soul saver. (488 3300).

Don Pasquale/La Scala

William Weaver

Gala opening nights at La Scala can be thrilling events, when somehow the sparkle of the jewels and the whirr of the TV cameras in the foyer become a part of the performance, making a positive contribution to the event. But every now and then it is a good idea to visit the theatre on an ordinary evening, to take La Scala's temperature when it is closer to normal. Last week, when I dropped in to hear the final *Don Pasquale* of the season, I was expecting this sort of occasion, an example of the house's high-class routine. In the event, I found a fascinating, thought-provoking presentation, handsome to look at, delightful to hear, cogent and coherent.

There were no glittering international superstars, and both the producer, Antonello Madau Diza, and the designer, Giorgio Cristini, are regular Scala employees. But the approach was anything but conventional.

The Donizetti opera is called a "dramma buffo" but the story – basically a cruel practical joke – is not really very funny; and the usual attempts to extract laughs rely heavily on the tedious sight-gags and standardised overacting that so often made comic opera an ordeal. Although the composer's music does contain some familiar buffo ingredients, including a patter, much of the score is in a tender, lyric vein, and the protagonist's "E finito, Don Pasquale" is as heartrending as Falstaff's "Va, vecchio John," a direct descendant.

The Diaz production, indulging in very little physical comedy, encouraged both signers and audience to take the story seriously. There were thus few laughs, but the characters and their story became real, affecting, and actually interesting.

The one star name on the programme was that of the costume designer, Gianni Versace, who made, in fact, not costumes but convincing clothes for the artists. Norina had particularly pretty dresses (obviously she spent a good deal of poor Pasquale's money at the couturier's). Moving the action from the late 18th century to somewhere around 1850, Versace was able to give the men more sober garb, less associated with the buffo tradition, thus enhancing the realistic spirit of the production.

In this visual context, Diaz's staging moved smoothly, unobtrusively. There were excellent touches, such as the play of shadowy figures across the lighted windows of the palazzo, while in the courtyard Don Pasquale examined the bills run up by Norina, whose entrance was thus prepared. The producer was fortunate in his cast: Sesto Bruscantini, in the title role, brought not only a lifetime of experience to his interpretation, but also an intelligence that has kept him from stereotyping it. He was in splendid, appealing voice. Angelo Romero, the Malatesta, also sang with spirit and the indispensable feeling for the text. The weak spot, vocally and dramatically, was the tenor Pietro Ballo, stock of figure and unsubtle of voice.

Lucia Aliberti, the Norina, is a young artist who seems to gain strength with every appearance. Like many sopranos, she has clearly studied the recordings of Callas; but unlike most of her colleagues, she has learned something from those discs. Exploiting her natural gifts of range and power, she is now capable of subtly colouring vowels, giving words just the right flick of emphasis, infusing sweetness when necessary and allowing the instrument's metal to gleam through when dramatically appropriate.

The young conductor Roberto Abbado also eschewed the buffo tradition, but in his case a little more lightness of touch would have been welcome. At times he drove the orchestra as if he were conducting not Donizetti but Mascagni.

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
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Wednesday June 13 1984

Europe's new arms debate

YESTERDAY'S decision by seven European governments to revitalise Western European Union, the treaty organisation which links them together inside the Nato framework, is a sensible if undramatic step forward. Some question whether it is worth reviving institutions which have been semi-somnolent for 30 years. But the important point is that the time has come for western Europe to take a more responsible and a more concerted view of its collective security interests, and WEU is as good a place as any to start that discussion.

The French initiative initially met with scepticism from the Dutch, the British and even the West Germans, out of fear that the revival of WEU could seem to undercut Nato itself, or antagonise the Americans. But the Americans cannot have it both ways: if they want the Europeans to take greater responsibility for their own security, they cannot complain if European governments get together to talk about it.

At this stage in the debate, there is no better forum than WEU. France is not a member of Nato's Eurogroup, and the attitudes of Ireland, Greece and Denmark would prevent any real discussion of security issues within the European Community. Moreover, as a matter of political symbolism, the mutual defence commitment under the WEU treaty is more binding than under the Nato treaty.

Co-operation

Of the four policy areas which the foreign ministers have identified for further study, the most accessible to agreement (at least in principle) is that of armaments co-operation. All European governments face serious cost escalation in modern weaponry; none of them can afford to develop the most sophisticated systems on their own; all of them face domestic pressure to reduce dependence on nuclear weapons by strengthening conventional deterrence; and the hi-tech systems which might fit this bill would be horrendously costly. Transnational co-operation in Europe will be very complex, painful to vested interests, and difficult to manage; but the other imperatives make it unavoidable, if Europe wishes to avoid total dependence on American armaments manufacturers.

This issue was described by the West German foreign minister in an innocent and emollient phrase: improving arms co-operation in the Alliance. The fact remains that one important motive for the resuscitation of WEU is the need to define and assert, within the Atlantic Alliance, the interests and views of Europe, not in opposition to, but as distinct from, those of the U.S. Differences between European and American perceptions of major security issues have long been a feature of the Alliance, but they have seldom been so marked and so prolonged as under the Reagan Administration. These transatlantic differences will remain sources of sterile friction unless the Europeans get a firmer grip on their common interests and succeed speaking more in unison.

Future

This is particularly true of the vexed question of military intervention outside the Nato area. Formally, the Alliance has no joint responsibility in the Third World; but the U.S. Administration complains that the Europeans are far too reluctant to consider military force in defence of European interests—Gulf oil, for example, whereas the Europeans feel the U.S. is too eager to do so, in circumstances where military action may be quite unsuitable or even counter-productive. Part, but only part, of Europe's reticence on this score derives from the fact that it has no co-ordinated policy.

Convergence

The studies launched yesterday are due to be completed in time for a second ministerial meeting in October to mark the 30th anniversary of WEU; only then will governments decide on the future of the organisation, only then will it be clear if there is sufficient convergence of views. Strictly defence issues will remain delegated to Nato, as at present; technical work on arms procurement may well remain with the Independent European Programme Group in Nato. WEU's essential characteristic is that of a political grouping for discussion of fundamental political issues which must be addressed.

Washington in a banking bind

THE U.S. GOVERNMENT faces a fresh dilemma on what further guarantees are needed to effect a long term solution to the problems of Continental Illinois, the Chicago bank whose recent liquidity crisis sent severe tremors through the American markets for bank finance. The classic solution—merger with another bank—seems difficult unless Federal support is made part of the deal, and the bank will probably need further government underpinning if it is to survive as an independent entity.

As the Continental crisis developed the government had little immediate choice but to supply the bank's depositors with an unlimited guarantee: the first priority was to prevent sudden phobia engulfing other U.S. banks. But now calm has been restored to the market the costs of the Government's fire-fighting can be counted.

Constraint

A clear signal has been sent that banks above a certain size will be rescued by government, whatever the price. The famous diktat of Mr Arthur Burns to bank management—"I will discus your bank's rescue with your successors"—has been shown to have a hollow ring to it. The result is an unfortunate favouring of the big over the good which cannot fail to influence money markets, the stock market and bank management.

The development is a blow to the Reagan administration in particular because it was keen to re-establish the idea of entrepreneurial risk and reward in the U.S. banking market place. On one hand it had provided less than full cover to depositors in a number of recent U.S. bank failures, beginning with that of Penn Square bank in 1982. On the other, it was broadly in favour of deregulating the sort of businesses banks could get into. The first, by affecting the attitudes of shareholders and depositors, was supposed to provide a market constraint to the second.

The whole debate about U.S. bank deregulation has been revitalised by the Continental Illinois affair. The bank's troubles are a setback to the ambitions of bankers, who want to do more than bank, and of other businesses which would like to expand into banking. They will prompt a renewed discussion — in our view most welcome — of what exactly constitutes banking and whether it requires a particularly privileged and particularly monitored and constrained position within the U.S. economy. The affair could give new impulse to the geographical deregulation of banking, to give broader roots to banking redwoods which are presently constrained to grow out of money-centre flower-pots and are thus vulnerable to sudden gusts of wind.

Casualty

This will in turn raise the issue of how big banks should be allowed to become: until now the size of U.S. banks has been chiefly held down by geographic constraints rather than by anti-trust actions. This has protected regional sensibilities in the U.S. and, incidentally, made sure that the big U.S. banks have not dwarfed their overseas competitors in the way that IBM eclipses other computer manufacturers, or the undivided AT & T once loomed over world telecommunication business.

It is true that the market has not been rendered entirely toothless by the size of big U.S. banks. Shareholders in the major U.S. banks have suffered greatly from the excesses of the '70s now that the suspension of disbelief in the money and stock markets has become less willing.

Questionable

But it remains questionable whether a merger of Continental Illinois into another large U.S. bank, suitably reassured with government promises, is desirable. It will set a soft-touch precedent for big banks. It will create a bank still more eligible, only because of its increased size, for the Government's soft touch. The tougher but sounder approach demands that the core of the bank be nurtured back to self-sufficiency, but on terms that leave management and shareholders with no illusions that the state will automatically provide.

The Goldsmith Empire

Sir James' assault on corporate America

Terry Dodsworth in New York reports on the investment strategy of the British businessman who has just launched a bid for the large Continental Group

"THE U.S. is an undervalued market compared to the UK, and if I had to choose between the two today, I would come here on relative value grounds as much as for political reasons. But in any case, the freedom which exists in the U.S. economic culture suits me better."

Sprawled across a chair in a Fifth Avenue eerie, intermittently puffing on a cigar and rattling out a melange of fact and opinion, Sir James Goldsmith is gearing himself up for his next big assault on corporate America. He is promising to make a real splash. His sights are now levelled on the Continental Group, a big, rambling packaging, insurance and forest products conglomerate, which would cost at least $2.4bn, making it among the largest takeovers ever for a non-oil company in the U.S.

At 51, Sir James talks of his withdrawal from the European business scene with an air of finality and a touch of bitterness that suggests it is for good. He remains, he says, wedded to the Group Express in France, where he publishes the influential L'Express magazine and two others, but he has decided that in such a centralised society, a publisher has to be free of business connections so as to be "no man's hostage."

Britain, he adds, is being stifled by the lack of clear law, magic circles, self perpetuating oligarchies, and interest groups such as the insurance market at Lloyd's and institutions both inside and outside the City — vested interests which still paralise the country despite the "magnificent start" the present Government has made on abolishing some of them. "So I decided I didn't want to play under those circumstances, and moved my chips here."

He has arrived at a time when Wall Street could scarcely look more welcoming to a fast-moving financial opportunist. The U.S. is currently in the midst of one of its most vigorous merger booms, spurred on by a combination of readily available cash and relatively attractive share prices, at a pace that is alarming even some investment bankers. In this atmosphere of frenetic activity, he has already shown his mastery of free-wheeling present-day Wall Street strategy in two classical financial coups.

The first, at Diamond International, was one of the pace-setting big public company acquisitions by the leveraged buyout technique that has now become commonplace in U.S. industry. Whereas, in many cases, these deals involve the management of a company taking it over by raising large amounts of debt, in this instance, Sir James came in as an outsider, eventually gaining support for a complete acquisition. But the essence of the deal remained in its leverage, with all the acquisition financed on borrowed money, secured on Diamond's own assets.

A mastery of free-wheeling Wall St. strategy

Unlike many of today's leveraged deals, however, Sir James then went ahead and stripped Diamond of most of those assets—a process he half-jokingly calls de-conglomeration—keeping only its 1.5m acres of timber lands. After paying back all the debt needed for the acquisition, he reckons to have cleared around $100m cash on the transaction already; the remaining forests are probably worth between $500m and $800m.

More recently, Sir James and a group of mainly City backers, notably Charterhouse J. Rothschild, successfully concluded an archetypal "greenmail" manoeuvre at the expense of the St Regis paper company.

This technique, which has soared into popularity among Wall Street's corporate raiders, involves taking a large enough stake in a target company to terrify management into buying it back at a premium to the market price—a manoeuvre which would not be allowed in London, but which has reaped some fancy profits for investors with enough financial muscle to make their threats credible. In an operation which lasted roughly one month, the group is reckoned to have cleared around $50m on a $100m investment in St Regis.

This was about the same amount as was made by Mr Saul Steinberg of Reliance this week, when he called off his raid on Walt Disney, and rather more than Mr Rupert Murdoch made from his similar attack on Warner Communications.

The buccaneering on Wall Street, however, is by no means all the story of the Goldsmith operations in the U.S. Long before he began to pull up his roots in Europe, Sir James had put on his other familiar hat—as a grocer — and, in 1973, bought up the Grand Union supermarkets chain. "It was a dull company, making dull profits, and frankly we managed it rather badly," he says of the 1970s.

Despite his involvement in the same market in Europe, it has clearly taken him time to get his range on the U.S. grocery trade. In 1978, the company went on a buying spree to expand its coverage to most of the eastern part of the country. But the strategy failed to yield the kinds of return he was looking for. Three years ago, as Sir James switched his full attention from Europe to the U.S., he decided on one of his typically mercurial changes of course, and began axeing stores with abandon.

This policy has seen him retreat from two of the big regional growth areas in Texas and Florida—"when you can see a bandwagon, it is too late to get on," he says—while reducing the number of stores from around 900 at the high point in the late 1970s to 395 today.

> If the transaction comes off, it will undoubtedly catapult Sir James into a position as a major player in the U.S. market

Most of the supermarkets that remain are being put through an entire overhaul. Visually, they have been dressed up by a top designer. Commercially they are being revamped by a concept which Sir James claims as his own, a two-pronged approach which gives customers some high-quality, high-margin products—wine of "outstanding" quality, imported cheese, quail's eggs—along with standard products on which GU promises to match the cheapest local prices.

Many fellow retailers and analysts have their doubts about this approach, although GU has now attracted Mr Floyd Hall, a former senior executive at Dayton Hudson, one of the leading U.S. supermarket chains, to run it. The change in direction has also been enormously costly. Back in the year to March 1982, GU made profits of around $24m. In 1983, these fell like a stone to $226,000, and last year the group ran up a whopping $115m net loss.

Even so, and despite rumours that GU has been up for sale in the past, Sir James is now cock-a-hoop about the rejig. The cost of closures—in the accounts at $70m over the last two years—plus the refurbishments of around $150m and an $83m advertising campaign last year alone, have involved heavy write-downs, leaving GU with a net worth of only around $150m. Yet Sir James claims that the cash generated by asset sales has eliminated short-term borrowings, leaving the group with a tidied-up balance sheet in which debt stands at around $40m net.

The losses have also been offsetable for tax in the U.S. against the profits earned on Diamond, he adds, leaving a net cost of $60m at group level.

These U.S. business interests are brought together mainly in Generale Occidentale, his French holding company, which has raised more than FFr 2bn ($243m) from divestitures in France since 1981. The French group is in turn majority held by General Oriental, a quoted Hong Kong corporation which is ultimately controlled by offshore investment companies owned by Sir James. Because of the Diamond profits, Generale Occidentale will show improved earnings for its last financial year, says Sir James, despite the losses at Grand Union.

Sometimes the connections between these different activities seem no more than their origin in the mind of one man. The St Regis transaction, for example, appears to have been a one-off affair — "Jimmy acting on his own" as a merchant banking associate puts it, and Sir James seems to conceive of his two main U.S. businesses as very separate activities moving in tandem. The proposed Continental deal is being mounted through Diamond rather than Grand Union.

Diamond's relatively small size compared with Continental has given pause to some Wall Street arbitrageurs on the future course of the proposed bid. Continental, a well-managed group in a different league to Diamond or St Regis, will be an elusive prey to capture and a difficult one to digest, a fact reflected in a share price standing well below the proposed offer.

Even so, much of Wall Street has scarcely queried his ability to finance the offer. This is partly a reflection of a period when the big banks, scared off their Third World lending, have plenty of cash to splash around in the U.S., and partly an acknowledgment of the financial power that can be wielded in the New York markets by an ingenious entrepreneur with an attractive idea.

In fact, the deal may not be as highly leveraged as much of Wall Street expects it to be. With his familiar ability to do the unexpected, Sir James is now negotiating to bring a major industrial associate into Diamond Land, a move designed to generate sufficient cash to allow the injection of a reasonable amount of equity into Continental.

The rest of the finance would be provided by borrowings, probably from some of his long term associates, but the essence of the deal would avoid some of the worst criticisms of leveraged buy-outs — a technique which has recently attracted a broadside from Mr John Shad, the chairman of the Securities and Exchange Commission, Wall Street's watchdog, on the grounds that companies are stacking up debt they may not be able to service in a less favourable business environment.

If the transaction comes off, it would undoubtedly catapult Sir James into a position as a major player in the U.S. market. Continental, he insists, is a good investment in its own right — "I perceive its value differently from the market," he says, to explain the difference between his tentative $50 a share offer and the previous market price of below $40 — but it also has a range of activities which present a rich variety of possibilities to a purchaser.

The most obvious of these is its 1.2m acres of forest, valued by Mr Cornelius Thornton, a First Boston analyst, at between $500m and $800m. Timberland has already excited his fancy, both at Diamond and St Regis, and the Continental package would clearly fit with his Diamond assets.

"If you look at the history of timberlands over the last 60 to 80 years, you will find that they have been a very good investment. They have kept ahead of inflation, and today the supply is diminishing while the demand is increasing. I perceive future values being greater than present ones."

Secondly, Continental's blend of activities present a range of options for a relative newcomer aiming at expansion in the U.S. On the one hand, its huge and mature can manufacturing business is highly cash generative; on the other, its oil and gas division is well placed in the market place, but needs funds to expand. And the group also has an insurance business which could serve as the base for a thrust into financial services, one of the hottest growth sectors in the U.S. at present.

Continental appears to be building up its defences

After Diamond, much of Wall Street inevitably thinks that he is after Continental simply for its break-up value. But Sir James insists that he has no desire for a repeat performance, arguing, with the support of many analysts, that the company has done a sound reorganisation job over the last few years, and should be heading into a growth period.

How he would actually use this platform, however, is another matter. It would be entirely uncharacteristic for him to sit quietly by and allow Continental to trundle on undisturbed—if he gets it, of course. At the moment, Continental appears to be building up its defences in a move that could give the wayward English knight his first real test of Wall Street pugilistics.

Men and Matters

Something to sing about

Anybody wanting to continue the hectic pace of celebrations after the excitement of the Euro-election results next Sunday night might do worse than pop in at mid-morning on Monday to Ronnie Scott's Club in Soho.

It is there and then that the winning song in the Labour Party's Better Song for Europe Contest will be announced—and performed.

About 200 young people, apparently, have entered the competition to find an alternative to the Eurovision song, one that reflects "the aspirations of youth in Britain" rather than the record companies. Suggested themes were Peace and Jobs.

The competition was open to song writers, professional or amateur, aged 25 and under. But some entries have come in from people much older, including an 83-year-old woman.

The judges for the competition are Eric Heffer, the bibliophile chairman of the Labour Party, Geoff Travis of Rough Trade (nothing to do with the Militant Tendency), and Jim Evans of Music Week magazine.

There is still a day to go before the deadline for entries. The prize is £2,500 which, to nobody's surprise, will come from the funds received by Labour from the EEC to promote information about the election.

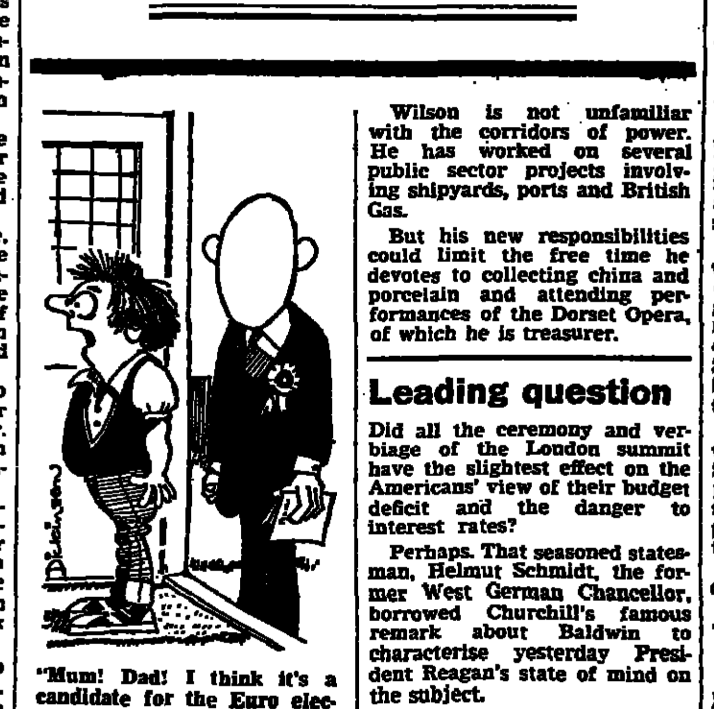
Beethoven can rest easily, I feel. Europe's anthem is likely to remain his Ninth Symphony.

New Hotgas

TTony Wilson will take a cut in salary to become Britain's highest-paid civil servant from October 1.

He will receive £75,000 a year as head of the Government Accountancy Service (or Hotgas, as his predecessor, Sir Kenneth Sharp, was affectionately described). It is almost half as much again as Treasury chief Sir Peter Middleton received.

In common with all accountants in professional practice, he is coy about his salary as senior partner of Price Waterhouse.



"Mum! Dad! I think it's a candidate for the Euro elections"

But the £120,000 which Lloyd's of London agreed to pay Ian Hay Davison to entice him away from his position at Arthur Anderson is seen as a guide to top accountants' pay.

Sir Kenneth held the rank of second permanent secretary and was earning £37,500 when his term of office ended last October. It was felt that his pay level was hindering the government in its search for a replacement.

The post of Hotgas has been transferred from the Department of Trade and Industry to the Treasury, reflecting the extension of the job to include accountancy adviser to the Treasury.

Wilson is not unfamiliar with the corridors of power. He has worked on several public sector projects involving shipyards, ports and British Gas.

But his new responsibilities could limit the free time he devotes to collecting china and porcelain and attending performances of the Dorset Opera, of which he is treasurer.

Leading question

Did all the ceremony and verbiage of the London summit have the slightest effect on the Americans' view of their budget deficit and the danger to interest rates?

Perhaps. That seasoned statesman, Helmut Schmidt, the former West German Chancellor, borrowed Churchill's famous remark about Baldwin to characterise yesterday President Reagan's state of mind on the subject.

"He occasionally stumbles over the truth, but he quickly picks himself up and hurries on as if nothing had happened."

Some day, Schmidt told his London audience, the U.S. would reassert its natural leadership over world economic affairs. Until then, there were two newspapers which provided the authentic voice of British commonsense "showing what leadership could be provided in the world." One of them was The Economist, and the other . . . well, no comment.

Per ardua . . .

The two camps in the Communist Party battling for control of the Morning Star appear to have fought themselves to an exhausted stalemate.

A week-long series of meetings up and down the country to elect members to the board of the People's Press Printing Society, which controls the ailing newspaper, has resulted in a mix of candidates from each side, and the defeat of all resolutions put up for both sides.

Ken Gill, general secretary of the white-collar engineering union AUEW Tass, heads the list. Together with Joe Berry, the Star's circulation manager, Ken Grett, assistant secretary in the AUEW, and Anne Field, an official of Sogat 82, he represents the party hardliners.

But the pro-leadership group, which includes the Eurocommunists, has managed to get George Bolton, the Scots miners' vice-president and party chairman, and Chris Myant, the Star's assistant editor, on the board. They came second and third in the list.

The CP leadership says it would have won outright if its Scots comrades had not been prevented from voting on a technicality. The stalemate will persist until the party executive meets in July. Like all good newspaper battles, this one runs and runs.

Heroic values

Personal self-sacrifice is not quite priceless. The courage of Captain Oates who said "I am just going outside and may be some time" to his companions on Scott's 1912 drive to the South Pole, in an effort to speed the expedition's progress, will be valued at Sotheby's on June 28.

His Polar Medal, awarded posthumously for his bravery, comes under the hammer. The auctioneers expect "certainly the most famous campaign medal ever to be sold at auction" to fetch at least £10,000.

Just by coincidence, the Polar Medal of Lieutenant Bowers, one of Oates's companions, has been sent to the same sale.

Bowers perished along with Scott after Oates's sacrifice. His medal is valued at about £5,000.

Observer

THE COCAINE SMUGGLING BOOM

'Just like the Prohibition era'

By Andrew Gowers

IT USED to be called the champagne of drugs, the casual pleasure of a Hollywood elite. Now soaring production and a consequent price collapse have brought cocaine within the reach of a huge and growing new clientele.

Physically-addictive heroin gets most of the headlines, but cocaine hydrochloride, the powerful stimulant derived from the coca leaf, is taking the western world by stealth. It has fuelled an extremely profitable boom in organised crime, led to enormous new financial flows within the Americas, and transformed the economies of several Latin American countries.

With the drug easily available in the U.S. and no sign of a drop in supplies, the traffickers are aggressively seeking new markets, particularly in Western Europe. "In many ways it's just like the Prohibition era," says an American congressional aide.

In 1982, up to 65 tonnes of cocaine, with a retail value of something like $10bn, entered the U.S. Estimates for last year are not yet available, but there is every indication that the trade continued to grow. There are suggestions that the total U.S. illicit narcotics trade may be worth more than $100bn a year, although these are impossible to substantiate.

The National Institute on Drug Abuse estimates that at least 20m Americans have tried cocaine at least once, while about 4m could be considered more or less regular users.

Figures are even sketchier in Western Europe, but there, too, the trend is sharply upward. According to the United Nations, 953 kg of cocaine was confiscated by the authorities last year, a 140 per cent increase over 1982. In the UK alone, seizures increased five-fold. That, as officials on all sides freely acknowledge, is only the tip of the iceberg.

Cocaine was "discovered" in the West in the second half of the 19th century, when it became the subject of lively interest, particularly in medical circles. Freud was a regular user, and Sherlock Holmes was reported to be.

Interest in the drug waned soon after the turn of the century, when several governments led by the U.S. outlawed it, among other narcotics.

The reawakening came in the early 1970s as the prosperous but bored baby boom generation moved on from marijuana or more mind-bending drugs.

The exact health risks of cocaine are still uncertain There is no doubt that it can produce heavy psychological dependence and, according to psychologists, the intense burst of elation cocaine brings has been known to cause regular users to stop eating and forgo all other pleasures. But the trough which comes after the "high" can bring depression, and even despair and paranoia.

In the U.S., 6,200 hospital admissions and 238 deaths were reported to be directly linked with cocaine in 1982.

The explosion in Western cocaine use has meant a sudden and undreamed-of bonanza for the producers in Colombia, Peru and Bolivia.

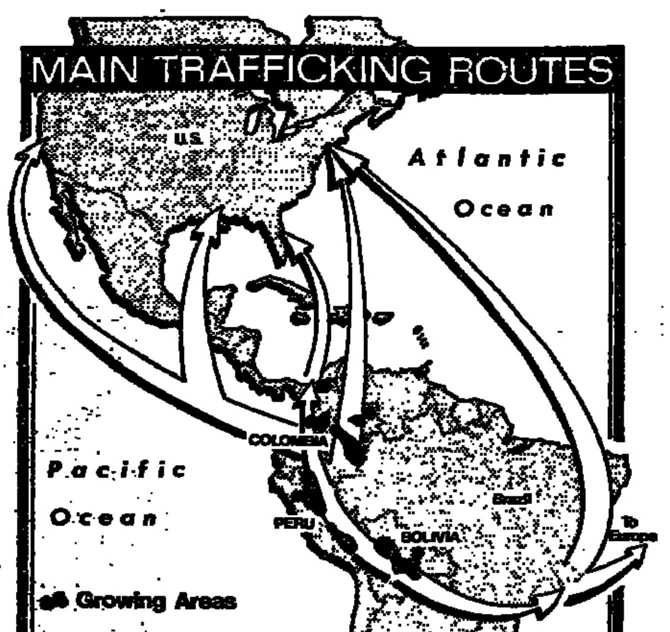
Until about 15 years ago in these countries coca bushes were grown mainly to satisfy the needs of their Indian population. For centuries the Indians have chewed the mildly narcotic leaves to help them cope with the cold and the thin air of high Andean altitudes.

Washington now estimates that more than 100,000 hectares are sown with coca bushes in Colombia, Peru and Bolivia, giving a total available for illicit use from the year's three or four harvests of up to 93,000 tonnes.

Roughly, that could be turned into more than 200 tonnes of cocaine hydrochloride, enough to feed the U.S. market more than three times over. A West German parliamentary delegation which recently toured the producer countries, estimates that up to 40 per cent of that output could be destined for West Europe. Coca production is believed to have begun exceeding worldwide demand in 1982.

Colombians still dominate the cocaine trade, particularly in the U.S., where they are believed to process, refine and ship about 75 per cent of imports of the drug. Washington believes that much of the trade is controlled by between 10 and 12 large Colombian gangs, complete with integrated distribution networks staffed largely by Hispanics.

Cocaine and marijuana are almost certainly Colombia's biggest foreign exchange-earners, although a good deal of the proceeds probably stays outside the



country in secret bank accounts or, once laundered, in "legitimate" investments in the U.S. That which does return is generally ploughed into conspicuous consumption or real estate speculation (as property prices in cocaine's financial centre, Medellin, bear witness).

The Colombian hold on the market is not, however, unchallengeable. Competition is growing as production outstrips demand, and Bolivians are increasingly involved in the processing, which is much more profitable than simply growing coca. There is mounting concern, too, that growing and processing are on the rise in Brazil which, through its excellent air-links, is well placed to become a big supplier to Europe.

"Restraint and order have been thrown to the wind," says the American drug magazine High Times. "Emigré carpet-baggers and barnstormers are flooding the market, fearlessly carrying as much toot as frail crafts or $2 plastic suitcases can hold."

With borders and coasts as long and vulnerable as those of the U.S., and with supplies of the drug already so widespread, keeping cocaine out looks a hopeless task. The same seems true of West Europe and its numerous points of entry.

President Reagan declared in March 1981 that drug abuse was "one of the gravest problem facing us internally in the U.S." Since then, numerous task forces have been set up around the country to investigate and prosecute traffickers and intercept shipments.

Despite the recent involvement of the armed forces and the Central Intelligence Agency in this work, little impact has been made.

The authorities probably only intercept 10 per cent of shipments. Officials admit that their efforts have brought at best a little temporary inconvenience to the cocaine trade.

For this reason, the authorities have preferred to focus the fight on the producer countries. Relatively bulky coca leaves are easier to intercept than small bags of powder—and before they are fanned out through a wide distribution network.

But the governments of Peru, Bolivia and Colombia—as well as the numerous transit or money-lending countries in Central America and the Caribbean—have in the past been either unwilling or unable to enforce international law on their territory, although they are all signatories to international treaties seeking to limit production of narcotics to legitimate needs.

Reluctance has stemmed either from direct government links with the cocaine trade, as was the case in Bolivia under the military government of General Luis Garcia Meza, or simply from a belief that narcotics were a U.S. problem to be solved by effective action against consumption in the U.S. and no concern of Latin America.

Washington officials believe this attitude may be changing gradually in the source countries, where abuse of coca by their urban populations is growing.

Most importantly, coca growing is the livelihood of at least 50,000 families in Peru and Bolivia and an increasing number in Colombia.

Why, ask critics of U.S. policy, should weak governments with severe economic problems hit their peasants' pockets further for little apparent return? Why, counters Washington, should we compensate you for not doing something illegal?

U.S. officials have seized on a number of recent developments as evidence that the tide is turning: notably, a series of coca-eradication agreements signed by the Bolivian Government last August, and the beginning of a Colombian crackdown since the assassination by suspected traffickers in April of Sr Rodrigo Lara Bonilla, the country's crusading Justice Minister.

Yet the key to eradication is spraying the crop with herbicide from the air, and none of the governments has yet decided to do so in a big way.

In Congress there are calls for stronger U.S. pressure on the coca producer, but the State Department believes a harder line on drugs—what officials describe haughtily as "single-issue diplomacy"—would be fiercely resented in Latin America.

What this means is that drugs, despite the alarm they raise at home, are not a foreign policy priority for the U.S. This is even truer of West Europe where there is little sign of concerted action.

Ultimately, the problem has deeper roots than can be tackled by any number of task forces or crop eradication programmes. As one senior U.S. official put it: "The key . . . is creating a climate in which Americans choose not to use drugs."

The gilt-edged market

The search for reality amid the turbulence

By Gordon Pepper

TO AN outside observer, the chaotic behaviour of the gilt-edged market in recent weeks and the wild oscillations in expectations of changes in base rates must be a classic example of the City at its emotional and inefficient worst. Is this a fair judgment? Did the market lose touch with reality?

The word reality is a key. Reality in the equity market for an industrialist should be profits, earnings per share and dividends. The overriding reality in fact is any persistent tendency for buyers to exceed sellers, or vice versa. Reality in the gilt-edged market for most outside observers should be changes in inflationary expectations. But the overriding reality for a gilt-edged jobber is any persistent imbalance between buyers and sellers.

What causes an imbalance between buyers and sellers? The answer is that the whole financial system can at times be badly out of equilibrium. If, for example, the demand for finance exceeds the supply of savings, there will be a tendency for sellers of financial assets to exceed buyers. The resulting fall in the market will then, for a time, generate expectations of a further fall.

Stockbrokers have an unlimited ability to devise explanations for events they have failed to predict. They normally have an abundant choice because at any time there are several bullish and bearish forces. As the market falls, the bearish arguments will be deployed. Bad news tends to be highlighted in the financial press and good news tucked away.

No one can doubt that there are periods when a market responds to good news and ignores bad news, and vice versa. In my view such behaviour is not irrational, but is a reflection of the underlying financial flows.

This argument that the behaviour of a market creates expectations is contrary to many conventional theories. The real world is, in fact, more complicated because causality runs both ways. Major movements in markets occur when valid expectational factors and underlying financial flows are operating in the same direction.

Few understand the underlying financial flows. Some succeed more than others, and develop a following. As the following grows, investors progressively try to anticipate the financial flows to which the analyst pays attention.

Assume, for example, that the financial flows will become adverse in six months, and will remain so for 12 months thereafter. An influential commentator may publish a bearish forecast some time before the event. The market will fall sharply as his followers react. Immediately afterwards the market will tend to bounce back because the underlying

Few understand the underlying financial flows

flow forces are not yet unfavourable — ie, the commentator will be right in the very short run but wrong in the slightly longer run. When the period of adverse financial flows starts, the market will begin to react to bad, and ignore good, news. If the commentator then repeats his forecast, the market will tend to fall dramatically, with expectations and financial forces now in the same direction. The secret of being a guru is to publish a forecast at a time when the market is just becoming receptive.

After the dramatic fall, the underlying persistent tendency for sellers to exceed buyers will be offset temporarily by the reversal of anticipatory transactions, ie, there will be a lull after the storm. Before long, however, the persistent underlying tendency will reassert itself and another violent fall is likely.

Currently the adverse financial flows which have been affecting markets are in the U.S. and not in the UK. The domestic explanations for the recent behaviour of the UK gilt-edged market are largely misplaced. There was selective bad news in the UK, amid good news, but the market was basically driven by events overseas.

The U.S. has definitely entered the period of persistent adverse financial flows. Thus, Dr Henry Kaufman has not changed his forecast — it is just that the market has become receptive.

The U.S. has just had a bounce back. Anyone there can borrow a government bond, unlike in the UK, and can therefore sell stock which he does not own, forcing prices down and squeezing the professional dealers with stock on their books after the recent auctions. Many of the bears have now closed their positions, hence the bounce-back.

The U.S. should now have a lull and, in due course, another storm. During the lull, but only then, the UK can decouple its interest rates. Those who say we can decouple at any time are unrealistic. During a storm, U.S. bond dealers caught long of bonds will use anything to hedge. Sitting on a U.S. Government bond desk at the height of the recent storm, I heard of U.S. dealers setting alarm calls for 3.30 am at home, when they sold long bond futures in London, arriving in the office at 5.30 am, when they sold euro-dollar bonds, and all before the start of serious attempts to hedge in U.S. markets. The financial flows crossed the Atlantic; it was not just the sentiment in one market following that in the other.

My conclusions are that the worries about UK domestic factors are minor and that, in the coming lull, people will once again argue that UK rates can be decoupled from those in the U.S. Markets will, however, become very turbulent again during the next U.S. storm. There is one qualification for gilt-edged stocks. The turbulence could take the form of a major international banking crisis, in which case make sure that you invest heavily in the gilt-edged market when everyone else is in a state of panic.

The author is joint senior partner at stockbrokers W. Greenwell.

America's banking system

From Mr T. Keeley

Sir,—Mr Res's discussion of America's banking structure (June 4) reveals his inability to see the forest for a tree. He claims that an "instability in the deposit structure" of American banks is owed to the inability of money centre banks to collect deposits over the whole of the U.S. In truth, the lifting of the prohibition on interstate deposit taking would do little to increase deposit stability. Moreover, this prohibition has been central to the U.S.'s diversified and decentralised banking system during the past half century, an important component of its method of raising and distributing capital and an essential ingredient for the growth of American small businesses, the most productive sector of the world's most productive economy.

The logic of the McFadden Act of 1927, which prohibited the formation of interstate deposit-taking institutions, was coherent; small businessmen and prospective entrepreneurs in Luray, Kansas, would be better able to win loans for their capital ventures if they dealt with the loan officers at the local people's state bank rather than with the monolithic likes of Citicorp or Chase Manhattan, whose chief officers and corporate concerns lay some 1,500 miles to the north-east. Mr Res dismisses this argument as "part and parcel of American folklore, populism and mistrust of big money from New England." If so, Americans should be grateful for their bugaboos; last year, the U.S.'s smallest banks provided loans to the vast majority of its new businesses while the big money centre banks aided a comparative few (preoccupied as they were with saving Mexico, Argentina and each another).

To read Mr Res, one would think that it is only American banks who are battling over-exposure risks and potential liquidity problems. Are the lessons of Banco Ambrosiano and Schroder Munchmeyer really all that far behind us? To be sure, America's banks are more threatened by the financial woes of the less developed countries than most. But banking institutions the globe over are feeling this same pinch. Mr Res's recommendations do little to address the more fundamental concerns facing the banking world today, and they pose a decidedly detrimental threat to the operation and structure of the U.S. financial system and economy.

Terrence R. Keeley.
Christ Church, Oxford.

Letters to the Editor

Taxing profits

From Professor D. Myddelton.

Sir,—Mr J. Woodthorpe's suggestion (May 29) that companies should distribute all their profits to shareholders certainly has its attractions. But it might be even better to tax all companies at the same rate as all shareholders. This would mean abolishing the graduated rates of income tax and the special tax advantages for certain institutions, and fixing the rate of corporation tax at the same level as basic rate income tax. The administrative advantage is that all UK dividends would be fully taxed at source, and there would then be no reason why they should even be declared for personal tax purposes.

Perhaps Mr Woodthorpe is going a little far when he refers to the "simple test of profitability." We can forget about current cost accounting (which is both highly unpopular and technically unsound), since even the Accounting Standards Committee now proposes to relegate CCA to a humiliating footnote. But there is still an urgent need for a simple, objective, logical, consistent, comprehensive system of accounting for currency debasement. Luckily constant purchasing power accounting is ready and waiting.

Professor D. R. Myddelton.
Cranfield School of Management,
Cranfield, Bedfordshire.

Complements to the multiples

From the Chairman and Managing Director, Spar (UK)

Sir,—Andrew Taylor's article (May 29) on the hazards faced by smaller, independent retailers — particularly those in rural areas — does little to disperse the gloom which has pervaded this sector of retailing for so long.

While the efforts of the Council for Small Industries in Rural Areas (COSIRA) in advising retailers on "how to remain solvent" are to be applauded, should its attention not be directed more forcefully towards "how to be successful"?

Examples of successful small retailers in the grocery sector are legion — and many come from within the ranks of the leading symbol groups, who provide their members with a powerful purchasing and marketing package, as well as an ever-increasing range of business services. But the best support services in the world will come to nothing unless the retailer is prepared to move with the times and adapt his trading policy in line with national and local market trends. In short, he must become more professional.

"Convenience" trading is the way ahead for independents. The extended trading hours concept "Eight till late" has been the salvation of many retailers who have found that providing customers with what they want when they want it has had a dramatic effect on their profitability.

But it has not only meant longer working hours; in many cases stores have been completely re-merchandised to give prominence to product categories which are known to sell well outside normal shopping hours. Inventory and stock control have become the basis of a successful business, with "convenience" the key to higher turnover and profit.

It is time for the independent to forget the disadvantages he has suffered in the wake of the advance of the major multiples; rather, he should be looking towards those known advantages presented by "convenience" trading. In this way he can develop as a complement — and not as a competitor to the multiples.

John Irish.
32-40, Headstone Drive,
Harrow, Middlesex.

Pension transfer values

From the Chairman and Managing Director, Godwins

Sir,—In my earlier letter (May 31) I suggested there is widespread misunderstanding about transfer values: this is borne out by the letter from Mr Smallbone (June 4).

The problem he highlights is the now familiar problem of the early leaver: it is nothing to do with an actuary using double standards.

When the employee in his example leaves service at age X after Y years service on a pensionable salary of Z he is frequently offered a frozen pension calculated by reference to Y and Z—say Y/60ths of Z—payable from retirement age. The alternative transfer value, I suggest is what it would cost in the market to buy that deferred pension at age X.

If the same employee enters a similar scheme at the same salary and the actuary is asked how much that scheme should require in order to grant Y "added years" to the incoming employee the actuary has to estimate what benefit is likely to arise on retirement as a result of the added years and then place a capital value on that benefit. Clearly the benefit is Y/60ths of Z $(1 + s)^n$ where n is the number of years to retirement and s is the estimated annual rate of increase in salary.

The longer the period of deferment the greater the difference between the capital values in the preceding paragraphs but this is not due to the actuary's "double standards"—it is because the benefit on leaving service is based on salary at that date and not on retiring salary. The actuary does not control the scheme's benefit structure.

When estimating the overall contribution rate for a scheme the actuary assumes a proportion of the membership will leave service and receive appropriate benefits: if the turnover experience is different from assumed this will cause over—or under—funding which will be adjusted at each review of the scheme. If the leaving service benefit is improved the actuary will recommend an increased rate of contribution.

In the same way the actuary does not suggest the scheme should hold assets sufficient to pay death benefits if all members were to die—he assumes a proportion will die and again the divergence of experience from his assumption will result in over—or under—funding, unless of course this risk is re-insured with an insurance company.

D. J. D. McLeish.
Briarcliff House,
Kingsmead,
Farnborough, Hants.

Threats to civil liberties

From the Liberal Chief Whip

Sir,—Ivor Owen reports (June 6) that Labour abstained on third reading of the Data Protection Bill. That is one way of describing it, but what in fact happened was that officially Labour voted with the Conservatives in favour of the Bill, but that only three Labour members could be found to accompany their spokesman, Dennis Howell, through the government lobby. The fact that most Labour MPs did not vote at all may well be because they would rather have been voting against the Bill, as we did, because despite the improvements made in committee, it still included serious threats to civil liberties which should have been removed.

Alan Beith.
House of Commons, SW1.

FINANCIAL TIMES

Wednesday June 13 1984

RCA and Ariola to merge music operations

By John Davies in Frankfurt and Paul Taylor in New York

RCA RECORDS of the U.S. and Ariola, the music subsidiary of Bertelsmann of West Germany, are to bring their worldwide activities together in a joint venture.

The U.S. and West German media concerns already co-operate through their joint control of Arista, the U.S. record company, which is to be brought into the new combined operations.

Bertelsmann, with sales revenue of well over DM 8bn ($2.2bn) a year, is a major publisher of books and magazines, in addition to its record and film activities.

RCA confirmed in New York yesterday it had reached a preliminary agreement with Bertelsmann.

The move is seen within the industry as a direct response to plans by Warner Communications and Polygram, the Philips and Siemens joint venture, to merge their record businesses, creating the world's largest record company. That planned merger is currently awaiting court approval in the U.S. and West Germany.

RCA has been looking for a partner for its record business for several months to meet the competitive challenge it sees in the Warner-Polygram link.

The planned joint venture with Bertelsmann appears to be a natural extension of a link-up between the two companies in the U.S. last year. In April last year, RCA acquired a 50 per cent stake in Arista.

RCA said yesterday that under the agreement Arista Records will become part of the new worldwide joint venture. RCA added that under the plan both companies' record divisions will continue to exercise "creative control" over their operations while being supported by joint services in the manufacturing, distribution and administration areas.

The Ariola group will bring its record, audio-visual and music publishing interests with annual sales revenue of about DM 400m into the venture with RCA.

But remaining outside the combined operation will be some other Bertelsmann audio-video interests, notably UFA-ATB, which is involved in film making. Ariola Computer Software also will remain outside the joint venture.

Herr Monti Lüftner, head of Bertelsmann's music division, said yesterday the U.S. and West German companies together would be better able to tackle the difficult problems of the record industry. He said the music business was becoming more international and developing more into an audio-visual business.

Bertelsmann indicated that its music business was profitable, but it felt that co-operation with RCA was the right strategic move.

Bertelsmann indicated that co-operation had been discussed over the past two years and the arrangements should be finally settled by the end of this year.

British Aerospace turns down Thorn EMI offer

BY ALEX NICOLL IN LONDON

BRITISH AEROSPACE (BAe), the aircraft and weapons manufacturer, yesterday firmly rejected an £812m ($1.13bn) merger proposal from the UK electronics group Thorn EMI, saying that "the financial and commercial disadvantages of a merger outweigh any advantages."

BAe terminated talks which began four weeks ago after Thorn EMI's approach to BAe had shocked both the aerospace group and the City of London.

Yesterday's announcement was widely seen as leaving the way open for General Electric Company, the British electrical engineering and defence group, which approached BAe at the beginning of June, about a possible acquisition or collaboration.

Sir Austin Pearce, BAe's chairman, said he told Thorn EMI's chairman, Mr Peter Laister, of the BAe decision at a meeting yesterday. "He was very disappointed. He doesn't agree with our arguments and we don't agree with his," Sir Austin said.

Mr Laister would only say afterwards that "my colleagues and I will be reviewing the situation with our advisers."

At a meeting on Monday between the companies' advisers – Hambros Bank for Thorn EMI and Kleinwort Benson for BAe – Thorn EMI said it would not offer more than three of its shares for four BAe shares.

This would have given BAe shareholders – among them the UK Government with a 48 per cent stake – a 46 per cent holding in a merged company.

At Monday's closing price for Thorn EMI, the offer would have valued BAe at £812m, or 406p per share. Yesterday, BAe shares fell 18p to 365p, valuing the company at £730m. Reflecting the stock market's relief that Thorn EMI appeared to be out of the running, its shares rose 14p to 555p, valuing it at £970m.

The market had viewed Thorn EMI and BAe as lacking synergy, and that view was reflected in BAe's statement.

"The main area of concern has been the considerable difference between the long-term nature of BAe's aircraft, guided weapons and space business and the more consumer oriented nature of Thorn EMI's business, and the different strategic approaches that these businesses require," it said.

BAe noted the scale of investment needed for individual projects in their respective fields. Sir Austin Pearce said the consumer market was volatile, and that the two companies' investment needs could fall out of phase.

BAe's statement added that while a merger would create a larger company, it would not improve the financial strength of BAe.

Sir Austin said he had received a number of letters from employees who sought stability in the company's ownership structure.

He said GEC's managing director, Lord Weinstock, had not yet made any specific proposals to BAe, and "we have to wait and see what GEC are thinking." GEC said only that it was examining BAe's statement.

Bankers Trust sells loans to NatWest

By David Lascelles in London

NATIONAL Westminster Bank (NatWest) the UK's second largest, is to expand its U.S. business by buying about $400m of commercial loans from Bankers Trust of New York.

The deal – its value is not being disclosed – will swell the size of NatWest's U.S. subsidiary bank's balance sheet to about $8bn. It includes the purchase of two loan processing centres and about $170m in deposits.

Mr Malcolm Fail, assistant general manager of the international banking division, said the deal would increase the bank's penetration of the "middle" market: companies with annual turnover of about $25m. Most of the loans are to companies in New York, mainly in the apparel and textile business, with others in printing, publishing and manufacturing.

In common with other UK banks, notably Midland, NatWest has found the U.S. market tough going since it bought the National Bank of North America four years ago. But in a gesture of confidence it injected another $101m in equity capital last year, when profits rose 44 per cent to a record $25.3m.

Mr Fail said: "We're now very pleased with the progress we're making."

NatWest had previously bought 17 branches from Bankers Trust, the ninth largest U.S. bank which is in the process of transforming itself into a wholesale bank that mainly serves large companies. Yesterday's deal was apparently proposed by the U.S. bank.

The addition of the new loans to NatWest USA, which still needs regulatory approval, will not require any extra capital, Mr Fail said.

● Chemical Bank of New York yesterday became the second major U.S. bank in two days to fall out of the European bidding for Continental Illinois, the financially troubled Chicago bank, which is looking for a buyer, writes Terry Dodsworth in New York.

Chemical's withdrawal from the running follows a similar decision by First Chicago Corporation and removes the two most frequently mentioned candidates for taking on Continental stock.

The decision by Chemical is likely to strengthen Continental's belief that its best interests lie in an independent solution to its problems.

Bank loophole, Page 8

THE LEX COLUMN

Thorn in hostile air space

The only thing missing from the first half of yesterday's British Aerospace (BAe) statement was the signature of Lord Weinstock. In hinting that Thorn EMI had neither enough capital goods expertise nor enough financial muscle to make a suitable partner, BAe effectively laid out a welcome mat for GEC, which has both in abundance.

The rub came a paragraph later. By disclosing that the prospective Thorn offer would have valued BAe at around £4 per share, the company has established an implicit reserve price for any auction. Whether GEC is prepared to open the bidding above that level is not so certain. The rejected Thorn terms represented a 75 per cent premium to the share price ruling after the BAe preliminary statement in late March and premium is a word never much in vogue at GEC.

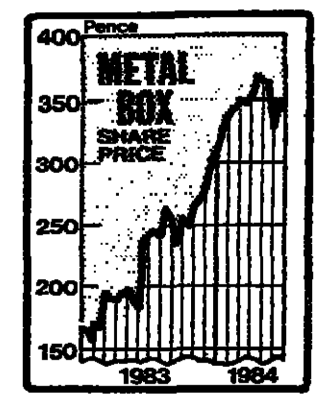
The City of London's antipathy to the Thorn approach and the heavy dilution which would be implied by an offer worth over £4 per share may deter Thorn's management from increasing a bid which would already have stretched it in every sense. But the company has not formally withdrawn and might easily cap a GEC offer pitched close to yesterday evening's BAe share price of 365p.

The present hiatus makes it all the more difficult for the Government to preserve its poker face. As contractor for BAe's defence division and partial financier of its civil aviation interests, the Government can hardly plead impartiality. A GEC/BAe combination would draw a howl of protest from elsewhere in the UK defence industry and provide the Department of Trade and Industry with a test of competition policy. The Treasury, meanwhile, must be counting the noughts. If anything, yesterday's declaration of interest by Thorn in Inmos has muddied the waters even further. The Government's last statement on BAe was somewhat vague and clarification would be welcome.

Arthur Guinness

Arthur Guinness new diversification strategy looks as different from the last one of the 1970s as stout from mild; but the share price has evidently been hit by second thoughts on the matter, which have perhaps reinforced some lingering scepticism about the famous brew's real growth potential, even at the hands of Guinness's new marketing maestros. Yesterday's interims offered little obvious reassurance on either point: pre-tax profits have risen 20 per cent to £29.2m, but falling reorganisation costs are more apparent than any improvement in brewing or retailing profits.

The group's strategy, however, has never been geared to overnight surprises. For the longer term, Guinness's potential looks as promising as ever. Net profit margins have been doubled in the last two years in the Lavells retailing subsidiary and there are grounds for sussposing Guinness could do something similar with Martin the newsagent. Meanwhile, the group is spending good money as well as lavish management time on developing a fresh international momentum for the brewing interests – including its lager brands, sales of which have jumped 20 per cent worldwide in the latest six months.



Nimslo

Two and a half years ago Nimslo's USM prospectus gave a broad estimate for 1983 pre-tax profits of $45m. Equally broadly, that might equate at the bottom line to about $31m – just the figure reported yesterday, except that it happened to be a loss.

The effect on the balance sheet has been unhappy to say the least. Net assets are given as $6.9m. That presupposes however, a value of $10m for intangibles – technical information and designs, the worth of which, as the auditors point out in their qualification, depends on the future profits which they produce.

The intangibles have themselves been written down by $12m from the previous year, to what the company concedes is a handy round number. Other extraordinaries include $7m of rationalisation costs – chiefly the closure of the marketing and distribution operation in Atlanta – with an offsetting $1.9m profit from the sale of the Berkey stake.

Just what is left is unclear. The flotation of the professional business – which accounted last year for more than 70 per cent of group sales, and made $0.8m of pre-tax profit – has been cancelled.

The group proposes instead to put great weight behind this business, and perhaps to bring out a cheaper amateur camera next year. With the shares at 23p – up 1p – Nimslo now has a market worth of £18m.

Metal Box

The stock market seems to think it has done enough for the moment to acknowledge Metal Box's savage cost cutting and balance sheet restructuring. The shares have only slightly out-performed the FT-A All Share in recent weeks and were knocked back 6p to 344p yesterday in the face of impressive results for the year to March. No doubt a juicy U.S. acquisition or news of a dramatic new product development would be well received now; but in their absence, it must still be rather harsh to leave Metal Box stranded on an earnings multiple more appropriate to a dull engineer. The jump in the group's pre-tax profits from £52.5m to £70.1m and the quantum leap in earnings per share have not exhausted the financial rewards of the retrenchment.

These rewards in 1983–84 have been most conspicuous in the open top division, with beverage can margins improving sharply despite continuing cost increases, most notably in aluminium. In the current year, there are few real signs of improving demand but Metal Box can still hope for gains on the back of its reorganised production lines. The same goes for paper and plastics – where plant closures and consolidations remain on the agenda – and for the Stelrad central heating business. Similarly, the impact of Metal Box's reorganisation in South Africa will not be confined to 1983–84. The £40m cash bonus derived there, helping to reduce net borrowings from 37 to 16 per cent of shareholders' funds, has cut the interest bill from £14m in the first half to £8m in the second – and should add usefully to pre-tax profits of £80m or thereabouts in the current year.

Argentine plan for payments

Continued from Page 1

and urged him not to sign without further consultation in Washington.

The final text of the letter, released on Monday night, argues that Argentina should be treated as a special case because the Government's first objective is to consolidate democracy through social justice and its economic programme must be subordinated to this basic objective.

Key projections in the letter include a budget deficit of 9.1 per cent of gross domestic product; nearly five points higher than the target fixed in last year's IMF agreement. The Government is forecasting a trade surplus of $2.8bn and a current account deficit of $2.5bn.

It states its right to adopt unspecified "measures of self protection" against the "excessive high international interest rates, continuing protectionism and the commission charges of international banks."

Tom Burns adds from Madrid: Spanish officials indicated yesterday that Spain was prepared to offer soft credit lines to Argentina worth about $150m, which is about half of what President Alfonsin, currently on a visit to Madrid, is understood to have been seeking.

Spanish commercial banks, which have lent Argentina $1.3bn, have told President Alfonsin privately that they believe his Government must come to terms with the IMF.

Political support from Spain for President Alfonsin has been tempered by what officials said was a realisation that Spain could not break ranks with other creditors and renegotiate bilaterally its lending to Argentina.

Max Wilkinson, Economics Correspondent, in London writes: The IMF must not press over-harsh conditions on to the debtor countries as a condition for new loans, Herr Helmut Schmidt, the former West German Chancellor, said in London yesterday.

If the adjustment programmes were pushed too harshly, they would lead to political destabilisation with dangerous consequences for the rest of the world, Herr Schmidt told the London Chamber of Commerce.

He said, however, that to avoid a debt crisis every group involved would have to yield something. The debtor countries would have to agree to IMF conditions in order to get access to fresh credit.

The commercial banks would have to provide fresh money for the Third World, to give them some form of interest rate relief and to consider ideas for capitalising part of their debt service payments.

EEC takes action on plastics pricing

BY CARLA RAPOPORT IN LONDON

THE EUROPEAN Commission has written to Europe's leading chemical companies alleging that they have broken EEC competition rules through price fixing and unfair marketing of polypropylene.

Some of the companies could ultimately face fines amounting to several million pounds each.

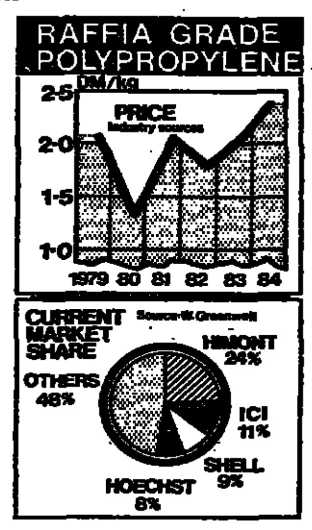
The Commission confirmed yesterday that it had written to 15 chemical groups formally objecting to their marketing practices.

The move follows investigation of a number of the companies by EEC officials last October.

The companies have been given four weeks in which to present their replies to the Commission's objections.

The next step in the formal process could involve the companies' making verbal representations to the Commission. This time-consuming procedure could mean that months might elapse before any decision on fines is reached.

Imperial Chemical Industries of the UK, confirming that it had received the Commission's objections stressed yesterday that: "No one has yet been found culpable. We have four weeks to respond and we will be responding."



Polypropylene is a versatile plastic made from petroleum or natural gas products, which is used to make hundreds of industrial and domestic items ranging from carrier bags to cable coverings.

Tractor sales hit

Continued from Page 1

trations would fall about 9 per cent this year to 26,000 units.

The slump in EEC markets for agricultural equipment has been expected, but it is another hard blow for the industry. World tractor sales, excluding Japan, China and the Comecon countries, have tumbled from a peak of 840,000 units in 1976 to fewer than 600,000 last year.

Western Europe is the largest market area, accounting for about 40 per cent of these sales. Britain is one of the most important tractor manufacturing countries, with output last year of 94,500 units.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	21	70	Dubrovnik	R	15	59	Malaga	S	23	73	Salzburg	F	16	61
Akrotiri	S	28	82	Faro	S	25	77	Malta	–	—	—	Seoul	F	31	88
Algiers	S	23	73	Florence	F	26	79	Manila	S	35	95	Singapore	C	32	90
Amsterdam	C	17	63	Frankfurt	S	19	66	Miami	C	28	82	Stockholm	F	18	64
Athens	S	25	77	Funchal	S	21	70	Milan	S	20	68	Strasbourg	F	21	70
Bahrain	C	35	95	Geneva	S	21	70	Moscow	R	11	52	Sydney	F	17	63
Bangkok	S	33	91	Gibraltar	S	21	70	Munich	S	17	63	Taipei	S	30	86
Barcelona	C	23	73	Guernsey	C	14	57	Nairobi	–	—	—	Tangier	S	25	77
Beirut	S	27	81	Helsinki	F	14	57	Naples	F	24	75	Tehran	–	—	—
Belgrade	F	20	68	H. Kong	C	28	82	New Delhi	S	30	86	Tel Aviv	S	29	84
Berlin	F	18	64	Innsbruck	C	16	61	New York	S	34	93	Tenerife	S	23	73
Biarritz	S	20	68	Inverness	R	14	57	Nice	S	21	70	Tokyo	F	26	79
Blackpool	F	15	59	Istanbul	S	26	79	Oporto	S	26	79	Toronto	C	23	73
Bordeaux	S	25	77	Jersey	S	15	59	Oslo	F	18	64	Tunis	S	27	81
Brussels	F	18	64	Jo'burg	S	18	64	Paris	F	19	66	Valencia	–	—	—
Budapest	–	—	—	Las Palmas	S	22	72	Prague	F	14	57	Venice	S	22	72
B. Aires	C	16	61	Lima	F	20	68	Reykjavik	C	12	54	Vienna	F	17	63
Cairo	S	33	91	Lisbon	S	27	81	Rio de J'o	C	29	84	Warsaw	F	14	57
Cape Town	F	13	55	Locarno	S	23	73	Rome	S	24	75	Zurich	S	22	72
Caracas	C	29	84	London	C	17	63								
Casablanca	S	22	72	Los Angeles	C	25	77								
Copenhagen	F	17	63	Luxembourg	F	20	68								
Corfu	F	24	75	Madrid	S	25	77								
Dublin	F	19	66	Majorca	F	27	81								

Readings at mid-day yesterday:

C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Taking a gilt-edged leaf from New York's book

Barry Riley, Financial Editor, outlines the Bank of England's thinking on a new-style market for UK government securities

THE BANK of England is drawing up a detailed programme for the development of a new trading for British government securities which is likely to be closely modelled on the New York market in U.S. Treasury bonds.

Britain's central bank plans to be in a position to receive applications in the early part of next year from prospective market makers in the new-style gilt-edged market. This would follow the publication of draft proposals for the market in October or November.

The new market is provisionally planned to begin operation at the same time as the modified equity trading system on the London Stock Exchange.

The Bank prefers to see this start-up deferred into 1986, from the present indicated date towards the end of next year, rather than see the system inaugurated prematurely without the technology necessary to handle the transmission of information and the settlement of bargains.

It envisages that there will be several kinds of participant in the market. It will be dominated by large, well-capitalised market-makers operating on a dual capacity basis – distributing gilts to investment clients as well as running positions on their own account.

But the Bank sees a continuing role for small jobbers trading on the floor of the London exchange. They would continue to deal with brokers operating on a single capacity basis. They would handle business primarily for private clients, whereas the big market makers would deal with professional investors in the big institutions.

The Bank is thought to be keen to keep the new gilt-edged market within the jurisdiction of the stock exchange, even though the bulk of the business would be transacted by telephone and telex away from the trading floor. The authorities wish to avoid fragmentation of the market.

The Bank's ability to harmonise its plans with the stock exchange will depend on the exchange's willingness to accept as members a number of institutions which at present fail to qualify.

These include a number of banks and securities houses, both British and foreign, which are expected to be serious contenders for approval as market makers.

The Bank is now engaged in a detailed appraisal of the rights and obligations of such market makers. A fundamental requirement will be the dedication of sterling capital on a long-term basis to the gilt-edged market. This would rule out any scope for market makers to shift their emphasis from time to time to foreign markets or to equities.

It is possible that market makers may be permitted to trade in other types of sterling fixed interest securities such as corporation stocks, bulldog bonds or Eurobonds. Such securities would for regulatory purposes carry risk coefficients which would reduce the size of the positions that could be carried relative to those in gilt-edged.

It is thought likely that the Bank will impose capital constraints rather similar to those already operating in the discount market, which deals in short-term paper. The volatility of different types of security will be assessed and appropriate risk coefficients calculated.

According to the structure of the market maker's book at a particular time, an overall limit would be applied to the level of positions being carried.

The Bank is likely to be fairly flexible over the amount of capital to be required, which will be related to the scale of operations envisaged by the individual applicant.

There will be a predisposition to accommodate all those who can demonstrate adequate capital and expertise, in the interests of establishing as liquid a central market place as possible. However, there might have to be an upper limit on numbers – as yet undetermined – because of factors like the need for capital to be adequately remunerated if the market is to prove stable.

The indications are that the Bank will be ready to accept non-UK presence in the market. There is keen interest by several U.S. firms, and European and Japanese market makers may also be accepted – subject to the Bank being satisfied that British firms can obtain reciprocal treatment in the respective foreign domestic markets.

There will be significant changes in the way that the Bank at present operates in the gilt-edged market, feeding out stock, or buying it back, through the Government brokers Mullens and the gilt-edged jobbers of which Akroyd and Smithers and Wedd Durlacher are the dominant pair.

No role will remain for Mullens, and the Bank will set up a gilt-edged trading desk to deal directly with the market in a roughly similar manner to its present operations in the foreign exchange market.

It is likely that the Bank will seek to continue its present funding techniques, whereby carefully timed issues are fed out to the market in an orderly way through the operation of so-called taps.

However, under the new system the various market makers would have at their disposal a substantial pool of capital which would enable them to absorb quite large amounts of stock. This could allow the Bank to move some way towards the U.S. Treasury's system of regular auctions.

The Bank could decide to rely on this underwriting capacity, which does not at present exist in London, to absorb part of the base load of funding. It is considered unlikely, however, that the tap method, with its advantages of flexibility, will be superseded.

Published by The Financial Times (Europe) Ltd., Frankfurt Branch, represented by G.T.S. Damer, Frankfurt/Main, F. Barlow, R.A.F. McClean, M.C. Gorman, D.E.P. Palmer, London, as members of the Board of Directors. Printer: Frankfurter Societäts-Druckerei GmbH, Frankfurt/Main. Responsible editor: C.E.P. Smith, Frankfurt/Main.

Further sharp profits fall for Fluor

By William Hall in New York

FLUOR, the big U.S. process engineering group, has reported a further sharp fall in its profits with second-quarter earnings from continuing operations falling from $31.1m to $4.5m.

Fluor's sharp decline in profitability continues to be mainly a result of the slowdown in orders for its important engineering and construction business. The group says that profits from this side of the business, which began to decrease in the second half of last year, were "sharply lower" in the latest quarter compared with a year ago. Its contract drilling services experienced a loss, and profits from its oil and gas properties were "essentially unchanged."

Mr Robert Fluor, the group's chairman and chief executive, says that the downturn in profits in the engineering and construction operations "has occurred because capital investment in most markets served by the company has not yet shown much improvement, although leading economic indicators remain positive."

Fluor's new contract awards have improved but they have not been sufficient to increase the order backlog. The company says that it sees a "continuing recovery in engineering and construction but one of the moderate and uneven pace." As a result of the industry-wide recession it expects its profits from this side of the business to decline in the second half of 1984.

The company has taken further cost reduction actions led by a "substantial cut in executive compensation." Its general operating expenses and manpower levels are also receiving close scrutiny.

U.S. magazine accepts offer

By Our New York Staff

MR MARTIN ZUCKERMAN, the Boston-based property developer and owner of the Atlantic Magazine, has acquired U.S. News and World Report, the third largest weekly general news magazine in the U.S. after Time and Newsweek.

Mr Zuckerman said yesterday he had paid $168.5m for the magazine.

The sale remains subject to the approval of U.S. News and World Report's employee owners, who own 70 per cent of the company's stock.

SILICON VALLEY GROUP TO CONCENTRATE ON TECHNOLOGICAL DEVELOPMENTS

Trilogy's supercomputer dream dies

BY LOUISE KEHOE IN SAN FRANCISCO

THE GRANDEST and most expensive of Silicon Valley's dreams died on Monday with the announcement that Trilogy Systems has given up its efforts to build a super computer.

Investors in the Trilogy dream supplied more than $250m over the past four years to support the company's efforts. Among them are substantial British and Irish investors who are believed to have been influenced by Trilogy's agreement to build its "dream machine" in Ireland.

Trilogy's dream was to create a computer that would outdo IBM, the Japanese and anybody else who cared to compete in the high performance mainframe computer business.

The man with the vision behind Trilogy was Mr Gene Amdahl, the "dean of Silicon Valley" and a "genius computer designer" according to his peers.

Mr Amdahl gained his awesome reputation as a key designer at IBM and then founder of Amdahl Corporation, successful maker of plug-compatible mainframe computers.

Despite all his achievements, however, Mr Amdahl, aged 61, was not satisfied. He wanted to build the perfect computer.

Mr Amdahl took on IBM once, at Amdahl Corporation, and was successful. "That is an amazing achievement in itself. But he went back to play with the tiger again, and that was a mistake," comments Mr Aharon Orlansky, computer industry analyst with Sutro and Company in San Francisco.

Trilogy's plan was to develop an advanced form of semiconductor technology called "wafer scale integration" that would power its high-performance computer. It was an elegant but not original idea.

"IBM assessed wafer scale integration in the 1960s but decided it was too high a risk," recalls veteran industry watcher Mr Ulric Weil of Morgan Stanley in New York.

The super-chips proved difficult to develop and Triolgy was forced to announce repeated delays of the launch of its computer. The latest announcement put the computer introduction back to 1987, three years after the original schedule.

"They missed the market window," says Mr Orlansky. IBM is expected to launch a comparable machine later this year.

To raise funds, Trilogy sold licences for its wafer scale integration technology to Digital Equipment Corporation, Sperry Corporation, Bull and, most recently, to Control Data, raising a total of almost $80m. Each company hopes to be able to apply the technology to its own computer products.

Now Trilogy has scrapped its computer plans but will continue to develop its super-chips. It is examining options for their use in alternative products.

"It was not economically justifiable to continue with the computer development," said Mr Thomas Lerone, Trilogy treasurer.

"The real interest of our corporate partners was in semi-conductor technology. They are not affected by our decision," said Mr Lerone.

Sperry Corporation, which invested $42m in Trilogy, echoed his opinion. "We don't see this as a setback. It will allow Trilogy to focus exclusively on technology and from our standpoint it is better that they are not dividing their efforts between technology and computers," said a Sperry spokesman.

But the company acknowledges that it can not hope to have working super-chips before 1986. The value of Trilogy's semiconductor technology has in any case been placed in question by the company's earlier admission that it would not live up to original performance expectations.

In the meantime, Trilogy may take on sub-contract work for other electronics companies, said Mr Lerone. Trilogy could develop less ambitious computers for others or use its semiconductor production facilities to make conventional microchips. Trilogy still has $100m in cash, according to the company's treasurer.

A major source of funding for Trilogy was a $55m "research and development limited partnership;" a financing vehicle pioneered by the company. The partnership holds ownership of Trilogy's now defunct computer design.

The partnership had originally planned to exchange the computer design for stock in Trilogy, but plans to buy out the partnership are now in abeyance, according to Trilogy.

Venture capitalists in Ireland and Scotland also provided substantial funds to the company.

TRILOGY CORPORATION will have to pay $7m to the Irish Industrial Development Authority (IDA) for the 100,000 sq ft purpose-built factory near Dublin which was to manufacture the ill-fated computer. Trilogy and IDA officials are seeking other possible uses for the plant, Brendan Keenan adds from Dublin.

IDA has invested $1m in the Trilogy project and paid training grants for more than 40 Irish employees working on the project.

Equity prospectus filed by Dome in recovery attempt

BY BERNARD SIMON IN TORONTO

DOME PETROLEUM, the debt-burdened Canadian oil and gas producer, has initiated a crucial stage of its recovery plan by filing a preliminary prospectus for a worldwide public offering of "equity-related securities." The issue will be one of the largest made by a Canadian company.

Dome said in a statement that the offering will consist of 100m units, each comprising one common share and half a warrant to buy an additional share. Terms were not disclosed, but the size of the issue indicates that the company hopes to raise around C$400m ($310m), considerably lower than its original target of C$750m.

Dome's shares are currently trading at around C$3.50 on the Toronto stock exchange. But the warrants are expected to be priced well below the present share price.

According to Dome, the sale of shares will not be implemented until it has finalised debt rescheduling agreements with its creditors. Under letters of understanding signed with lenders over the past two months, Dome is obliged to complete all these formalities by the end of June. Dome asked its creditors last December to reschedule its C$6bn debt over a period of 12 years.

The forthcoming share issue will be offered through three underwriting syndicates – one each in the U.S., Canada and the rest of the world – co-ordinated by Morgan Stanley, Dome's main financial adviser. The managers of the international group will include Morgan Stanley International, Lehman Brothers International, Dominion Securities Pitfield, Wood Gundy as well as managers in key capital market centres.

The worldwide marketing effort is one indication of the importance of the issue to Dome and the delicate strategy which will be required to raise the funds.

The recent debt rescheduling agreements are conditional on the successful completion of the share issue.

Disney buys back Steinberg interest

BY OUR NEW YORK STAFF

WALT DISNEY Productions paid $297.4m plus $28m "for out-of-pocket expenses" to buy back an 11.1 per cent stake built up in the company by Mr Saul Steinberg, the U.S. financier who owns the Reliance Financial Services group.

The move will net Mr Steinberg a gross profit of $59.8m on his investment of $265.6m. It appears to end a bitter battle between the two groups which culminated last Friday with an offer for Disney by a group of investors led by Mr Steinberg, valuing the California-based entertainment company at up to $2.75bn.

The announcement came after a full day meeting of the Disney board, called to consider the Steinberg group plans either to acquire 49 per cent of the company or pay $72.50 a share for the whole

Ahead of the announcement, but probably in anticipation of the share buy-back, Disney's shares had plunged $9¾ a share to $55½. The sharp share price reversal all but wipes out the speculative premium which has built up in Disney's stock over the past few months as the Steinberg battle plan unfolded.

As part of Disney's defence strategy, the company last week completed the acquisition of Arvida, a property company owned by the wealthy Bass Brothers for $200m in stock, and has announced plans to buy Gibson Greeting, the greeting card company, for a minimum of $310 in shares.

Disney announced it had paid $70.83 a share for the 4,198,333 shares owned by Reliance Insurance, part of the Steinberg empire, and would also pay the $28m in estimated expenses.

As part of the agreement the company said all litigation between Disney and Reliance will be ended. In addition, the company said Reliance had agreed to withdraw the tender offer and "not to acquire any additional Disney shares for a period of 10 years."

The agreement forms the latest example of a procedure which has become known as "greenmail" under which a corporate management, fearing the consequences of the unwelcome attentions of an aggressive share purchaser, buys back the stake at a sizeable premium.

W. German fibre deal rejected

By John Davies in Frankfurt

THE WEST GERMAN Cartel Office yesterday formally rejected a plan by the country's five leading cable manufacturers to set up a joint factory to make optical fibre in West Berlin.

The companies, anticipating the Cartel Office's view, have been preparing to appeal against the ruling, but prospects of the joint project going ahead have faded.

The proposal, involving investment of well over DM 100m ($37.3m), was launched by Siemens, PKI (a subsidiary of Philips of the Netherlands), AEG, Standard Elektrik Lorenz (a subsidiary of ITT of the U.S.) and Kabelmetal. They envisaged producing 100,000 km of optical fibre a year for use in cable-making.

The Cartel Office said that the five companies already had more than 90 per cent of the copper cable market and their optical fibre project would strengthen their market dominance.

The companies could seek to overturn the ruling through a court appeal or through a decision of Count Otto Lambsdorff, the Economics Minister in Bonn.

Although the companies have indicated they are not prepared to abandon their plan at this stage, there have been suggestions that their enthusiasm for the project in its original form has waned.

Hitachi, IBM reach secrets royalties deal

By Louise Kehoe in San Francisco

HITACHI EXPECTS to have to pay IBM $2m to $4m per month for the next eight years in software royalty payments, the Japanese company admitted yesterday, adding that the payments could, however, decline as Hitachi develops alternative software.

The royalty payments, which began last October, are part of an out-of-court settlement reached between IBM and Hitachi, following IBM's charges that Hitachi stole technical secrets from the U.S. computer maker.

IBM "cannot confirm or deny" Hitachi's statement, said a spokesman. "Under the terms of our agreement with Hitachi, we are not permitted to discuss the terms. IBM would, however, like to see the agreement published and has no objections to Hitachi revealing its terms," said IBM.

Initial reports had suggested that Hitachi would pay IBM as much as $300m in royalties. The monthly payment schedule would appear, however, to minimise the impact upon Hitachi.

The secret agreement between Hitachi and IBM incorporates an arrangement requiring Hitachi to pay certain fees so that the Japanese company can continue to market Hitachi software that closely resembles IBM products, said IBM.

Earlier, Hitachi said it hoped to develop new software for its mainframe computers by March. It has not, however, announced any software. IBM is believed to have the right to review Hitachi's new software to determine whether its copyrights are infringed. IBM says, however, that it has "done nothing that would prohibit Hitachi from launching new software."

Home Box Office may invest in Coronet

BY RAYMOND SNODDY IN LONDON

HOME BOX Office, the leading U.S. cable television programme provider, is seriously considering investing in Coronet, the Luxembourg-based satellite company.

Last month, Luxembourg gave the go-ahead for what is claimed to be the first private enterprise satellite television distribution company in Europe.

The aim of the project is to be able to offer 16 transponders to deliver television programmes to cable television networks all over Europe. There is also a possibility that the satellite would be powerful enough to send pictures to dish aerials on individual homes-competing with European plans for direct broadcasting by satellite.

HBO is believed to be considering an investment to give it access to European satellite transponders should it need them in future. HBO, however, emphasised yesterday that any plans to distribute a film channel in Europe would be through the Premiere consortium led by Thorn-EMI. HBO, a Time subsidiary, is a member of the Premiere consortium.

The Coronet holding company, Société Luxembourg des Satellites, said yesterday that it was at least half way towards raising the initial funding of $10m. The company said heads of agreement had been signed with a number of European industrial and financial companies, which it did not name.

The company claims to have had numerous inquiries about leasing transponders, which beam television pictures to earth.

The plan first proposed by Dr Clay Whitehead, a former director of the U.S. Office of Telecommunications Policy, has caused widespread controversy.

M Louis Mexandeau, French Minister of Telecommunications, has attacked the plan.

Coronet says, however, that HBO is likely to be the only U.S. investor in the operating company. The satellite system itself will be American.

Eutelsat, the 20-nation organisation owned by the European PTTs has attacked the Luxembourg project as an "anti-European initiative" and one that would result in ruinous competition with Eutelsat's own satellites.

If the Coronet system goes ahead, it should be able to offer relatively cheap satellite transponders. The high launch costs would be spread across 16 transponders and the company plans to buy satellites under construction in the U.S.

Company Notices

INTERNATIONAL COMPANIES and FINANCE

Japanese moneylender on verge of bankruptcy

By Yoko Shibata in Tokyo

YATAGAI, one of Japan's ten largest consumer finance companies, was on the verge of bankruptcy yesterday with debts estimated at Y35bn ($151m).

At a creditors meeting, the company asked for time to implement a rescue scheme that would involve the postponement of loan repayments, the dismissals of half of its staff, and the reduction of the number of its outlets from 156 to 18.

If Yatagai goes under (it failed to meet a Y380m promissory not due on Monday) it would be the first of the larger Sarakin—literally finance (kin) for office workers (Salaryman)—companies to fall.

The company was formed in 1977 and grew rapidly in the lucrative and unregulated personal loan market. Offering high returns, it attracted funds from a wide range of Japanese and foreign institutions.

As the flow of wholesale funds from banks and others to the Sarakin has attracted increasing public attention—in part the result of the very high interest rates charged and in part due to the dubious debt collection methods employed—these companies have found it more difficult to raise fresh funds.

Japan's Ministry of Finance, responding to public pressure when the death toll from Sarakin related suicides reached 130 a month in the middle of last year, moved to block fresh funds reaching the Sarakin and passed legislation in November which limited interest rates to just over 70 per cent. Previously rates of over 100 per cent a year were common.

With sources of fresh funds drying up, the Sarakin turned to the "underground money market" run from street corner loan shops. The combination of this very expensive money with large numbers of delinquent loans (83 per cent of Yatagai's loans were more than 75 days in arrears at the end of April) and the limits on interest rates have severely weakened the financial position of this sector.

A traditional Alsace group has pinned its hopes on automation **David Marsh** reports

French engine maker gets into modern gear

A STRAIGHT talking Harvard Business School graduate who bounds up stairs two at a time has for the past 18 months been in charge of a difficult undertaking—nursing back to financial health France's largest and longest-established textile machinery manufacturer, the Mulhouse-based Société Alsacienne de Construction de Matériel Textile (SACM-T).

M Gerard Dumonteil, 39, who built up his business career on the nuclear fuel production side at France's atomic energy commission, the Commissariat à l'Energie Atomique, was brought in at the end of 1982 to chair both SACM-T and its parent company, Société Alsacienne de Constructions Mécaniques (SACM), which is one of France's largest diesel engine makers.

Many of the buildings on SACM group's sprawling 60-acre factory site on the banks of the Rhine-Rhone canal at Mulhouse, in eastern France, date from the turn of the century. They were used by the Germans for armaments manufacture before the Alsace region was returned to France after the Second World War.

The SACM group is now majority owned by the Paris bourse-quoted Société Alsacienne de Participations Industrielles (Alspi), in which the state-owned Compagnie Financière de Suez holding company has an indirect stake. With roots in engineering and textile machinery production going back to 1826, SACM, with a workforce of around 3,000 is still Mulhouse's largest employer.

In recent years SACM has, however, fallen on hard times. As recently as 1976 the group employed 5,000 people. Competition in the international textile machinery market has increased greatly, while the previous mainstay business of exporting complete systems and factories to Third World countries has fallen off, partly because of developing countries' payment problems.

With the launch last autumn of SACM-T's microprocessor-controlled automatic weaving machine, the UR 1000, which took five years to develop, the group aims to recapture markets lost in recent years to West German, Swiss, Italian and Japanese manufacturers.

"We aim to make the leap away from building whole factories in the Third World towards selling advanced machines in industrialised countries," says M Dumonteil.

The group has now sold several hundred of the new machines, with further batches on trial with potential clients in Italy, Germany and the U.S., as well as France. M Dumonteil has been particularly heartened by a recent U.S. order for more than 100 units.

The SACM group roughly broke even last year, with profits on the diesel side outweighed by continuing losses in

M Gerard Dumonteil

textile machinery. M Dumonteil's aim is to bring textile machinery activities back to equilibrium by the end of 1985.

To help plug losses and fund new investment, M Dumonteil, who was brought in by the Alspi group when the previous chairman, M Louis Maillard, retired, has at his disposition a FFr 300m ($36m) four-year financing programme put together in 1982 by Alspi and state institutions including Crédit National. The rescue package was prompted by Government concern that financial difficulties could drive France's prime textile machines group out of business.

Total SACM group turnover last year, including other mechanical engineering subsidiaries, was about FFr 1.1bn, with roughly FFr 900m in diesels and FFr 250m in textile machinery.

M Dumonteil takes pride in the range of technological skills put into diesel engine manufacturing—"from heavy foundry work to precision jobs where accuracy is needed at the level of microns."

The company's output spans electricity generating equipment (which now makes up about 50 per cent of production), locomotive engines (where it is sometimes associated with Alsthom Atlantique, the state-controlled transport and engineering group, in Third World orders), naval and tank motors, and motors for offshore oil drilling.

Although locomotive business is now less important than previously, diesel engines manufactured by SACM are in use by around 50 railway concerns around the world.

A more recent speciality are the company's huge trailer-borne generating sets for use in desert regions—with Libya an important customer. It has also developed a line of back-up power units for nuclear power stations, with customers including not only Electricité de France but utilities in Spain, Belgium and West Germany.

As part of M Dumonteil's efforts to blow a wind of change through SACM, flexible automated machining techniques are being introduced on the diesel engine assembly lines, using equipment from the U.S. as well as from the French electronics company, SAGEM, and Renault.

Computers from IBM are being installed to boost efficiency in administration and manufacturing procedures, while a variety of computer-aided design equipment has been brought into the diesel engine development section to supplement the traditional drawing boards.

M Dumonteil's eventual objective is to market to clients SACM's own expertise in automated factory techniques. But the initial benefit of automated assembly lines, he says, is a great saving in the cost of carrying stocks formerly needed for perhaps 20 separate manufacturing operations which are now integrated into one.

M Dumonteil has also acted to bring in new key executives as a way of increasing dynamism throughout the company. A few months ago, he asked a marketing colleague to come up with a promotional video-film to help the launching of the UR 1000—and gave him just six days to accomplish the task. The pace was a little brutal by the standards of a company with traditions of nearly 160 years behind it—but, not surprisingly, the job was done on time.

French banks face capital shortage, claims report

BY DAVID MARSH IN PARIS

THE 36 French banks taken into public ownership in 1982 in the Socialist Government's nationalisation programme are being prevented from raising urgently needed capital because of the shortage of budgetary funds, according to a critical report from the French Senate published yesterday.

The report, by the Senate finance commission, which is dominated by the right-wing opposition, attacked the nationalisations as a costly burden on taxpayers and as a source of rigidity throughout the banking system.

In contrast to some former bank shareholders who claimed that the state's takeover terms in 1982 were not generous enough, the report said that "certain banks were largely over-valued."

Estimating the 36 banks' need for capital up to 1985 at FFr 8bn ($925m), it said such sums were unlikely to be forthcoming because of the "deficiency" of their state shareholder.

Charging that the Government was being forced increasingly to act "in a fatal inversion of economic logic" the report said the state needed to reserve capital injections for banks facing problems, leaving the profitable banks constrained to pay a substantial part of their earnings to help finance the difficulties of others.

Mannesmann in technology deal with Japanese

By James Buchan in Bonn

MANNESMANN, the West German steel pipes and industrial group, and Nippon Steel of Japan have announced that they are pooling technology and service networks for the development of gas-tight connections used in oil and gas operations.

The agreement, the first major formal co-operation between the two groups in the pipe sector, is designed to meet the challenge of drilling at ever deeper levels and in increasingly hostile environments. Gas-tight connections form the links between the steel casings ("oil-country tubulars") used to line drill-holes.

Swedish driller sells rigs

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

STC VENTURE, the Swedish oil drilling company, has sold two of its three rigs to Triton Industries, part of the U.S. Schlumberger group.

STC Venture has had to take a one-off loss of between SKr 70m and SKr 75m ($9.3m) on the sale of the two jack-up rigs, STC Descartes and STC Cicero, but the company claimed yesterday that the sale would avoid estimated operating losses during 1984 and 1985 of more than SKr 100m.

Following the sale the company expects an operating loss of SKr 90m in the first six months of the year, which is likely to be followed by a further operating loss of SKr 10m in the second half.

NYSE brokers' income slides

JUST OVER 31 per cent of New York Stock Exchange member firms reported first quarter losses this year, although overall profits of the securities industry increased from the low levels in the final quarter of 1983, writes Terry Dodsworth in New York.

Net income for the latest period amounted to $202m on revenues of $7.4bn—a 5.6 per cent return on the industry's average net worth of $14.5bn.

Earnings in the same quarter a year ago were $669m, before plunging to only $21m in the final 1983 quarter.

A new sector for Plessey—a wider market for Elettronica

BY JAMES BUXTON IN ROME

TO ANYONE who thinks that Italian industry barely exists further south than the Po Valley, it will come as a shock to learn that one of Europ's leading makers of electronic warfare equipment is based on th Via Tiburtina, the road the tourist buses take from Rome to Tivoli.

The company is Elettronica, and this week Plessey, the British electronics company, bought 35 per cent of it with an option to go up to 49 per cent in the next five years. The British company is convinced that it has won a valuable prize which will enhance its range of defence products. But there are special causes for satisfaction on the Italian side too.

Electronic warfare means the use of electronic equipment to detect and deceive an enemy. Electronic support measures (ESM) enable a warship, aircraft or army formation to tell whether it is being detected by enemy radar, and where and what type that radar is. It also makes it possible to work out the enemy's order of battle by picking up the transmission of his radar and radio.

Electronic countermeasures (ECM) go a stage further. They involve the jamming of enemy radar transmission, or the distortion of transmission so that he sims guns or missiles at the wrong target.

Elettronica is virtually the creation of one man, Sig Filippo Fratalocchi, a 72-year-old who is a businessman rather than a scientist. Established in 1951 to make electrical equipment for the railways, Elettronica switched to electronic warfare a few years later. By 1970 it employed 500 people.

Rapid expansion came in the 1970s, partly with the growth of the Italian defence industry but mainly with the rapid development of electronic equipment for military uses. Elettronica now employs about 2,000 people, and achieved sales last year of L160bn ($100m).

Elettronica has established an important market with the West German armed forces, and serves customers in some other Nato countries, such as Spain, and in the Middle East, Africa and Latin America. It does not have a market in Britain.

Some reckon the company to be the third biggest electronic warfare equipment maker in Europe, after Racal of Britain and Thomson of France.

But the Italian company does not have a big enough market to support its research and development spending, and it has been looking for a partner to inject new funds and provide access to a bigger market.

Discussions with Plessey began last summer, but the deal was only concluded in the last few days, in the face of a rearguard action by Selenia, backed by politicians anxious to keep the company entirely Italian.

One of the attractions of a deal with Plessey is that although the UK company is several times bigger, with sales of about £1.1bn, its activities fit neatly with those of Elettronica. Plessey makes telecommunications equipment and is a big defence supplier, but its electronic warfare activities are relatively small and spread over several subsidiaries.

Plessey should offer Elettronica access to the UK market, which alone is worth about £100m ($139m) a year.

For Plessey the deal represents a chance to buy its way straight into a sector of the electronics industry in which it would otherwise have taken years to build up expertise. It will now challenge Racal, Marconi and other companies on their home ground.

Under the deal, which will cost Plessey £20m, the British company is boosting Elettronica's capital—which stood at L17.5bn—by 30 per cent, and buying 5 per cent of the existing shares.

There will be no joint manufacturing but the two companies will co-operate in the transfer of technology and in marketing. A company with a small capital base in which Elettronica will hold 35 per cent is to be set up in London.

From an Italian point of view, the deal is another affirmation that the country is again attracting foreign investors. The most spectacular sign of this was the recent agreement under which AT&T, the U.S. electronics group, took 25 per cent of Olivetti. But two British companies have this year made investments in Italy—GKN, which bought into an engineering company, and Beechams, which took a majority in Zambeletti, a pharmaceuticals firm.

INTL. COMPANIES & FINANCE

Thai 'lifeboat' for finance companies

BY CHRIS SHERWELL, RECENTLY IN BANGKOK

THAILAND'S banking authorities, still saddled with the problem of ailing finance companies, are hoping that a proposal to "pool" the managements and funds of troubled companies will finally staunch the draining of public confidence of the past eight months.

The proposal is said to be similar to the Bank of England's 1973 "lifeboat" scheme for troubled secondary banks and is the latest in a series of measures initiated following the failure of a major finance company last October.

Since then about a dozen finance companies have either collapsed, been suspended, or had their licences revoked. Many more have sought or are in need of help, not least because the public has shifted deposits to stronger companies or to the commercial banks.

The scale of this shift is believed to amount to several billion baht. Its significance stems from the fact that, by last year, Thailand's finance companies, by then numbering more than 100, had succeeded in amassing assets of more than 100bn baht (US$4.35bn) — almost a quarter of the assets of the whole commercial banking system.

The companies offered promissory notes with attractive rates of interest, and grew rapidly in the unregulated environment of the 1970s until one of them collapsed in 1979. The seeds of the latest crisis, which began with the liquidity problems of Equity Development and Finance last October, can be traced to the inadequate action taken at that time.

Nukul Prachuabmoh, the genial governor of the Bank of Thailand, the central bank, says he initially refused to take on his job in 1979 because he foresaw the problem with the finance companies. "It was a matter of time," he says. "We only managed to postpone the explosion." He also acknowledges that the measures first taken after October were not sufficient. Had he had a free hand, he says, he would have done more sooner.

The Bank's idea was for a deposit insurance scheme similar to that found in Western countries, to protect depositors. Sommai Hoontrakool, the Finance Minister, vetoed the proposal, saying it would take time to implement. He urged tough action against irresponsible finance companies instead.

Measures which were implemented included the use of the Thai Financial Syndicate, in which banks are shareholders, to take on bad paper and pay holders' money back without interest over a 10-year period. A bail-out fund was also set up, involving the state-owned Krung Thai Bank.

In December the law was extensively revised to allow closer supervision and scrutiny of non-bank institutions. The authorities can now approve and remove managers and directors, insist on better accounting and more public disclosure, and penalise offenders.

The proposal to "pool" management and funds is aimed at a longer term restructuring of the sector, and starts from the premise that many companies —notably the scores of independent ones—have suffered because of poor management and inadequate financial support.

The finance companies have been told that they could receive help in exchange for turning over 25 per cent of their shares to the authorities, which would in turn have half the votes. About 17 have applied, and the first "management pool" is being arranged.

Under the scheme, one of the stronger companies is made a "core" company, on which the authorities concentrate management assistance and funding support through the banking system. The core company would in turn help another four or five suffering more difficult problems. About three such "pools" are planned, but only one is close to being operational.

The Bank says that a legal snag—an individual cannot manage or advise more than one finance company—will not be insuperable. Nor is the door closed to any company wanting help later if it decides existing options cannot work.

Asked if he is confident about the scheme Nukul says frankly: "We don't say we are confident. We've not done this before." But it does signify the beginning of the end of the crisis, he says.

TAIB likely to withdraw from Pyramids Bank rescue

By Mary Frings in Bahrain

TRANS ARABIAN Investment Bank (TAIB), one of the Arab banks in discussion with the Central Bank of Egypt over a cash injection for the troubled Pyramids Bank, now seems likely to drop out of the rescue scheme.

TAIB had considered acquiring up to 49 per cent of the equity of Pyramids Bank, at an estimated cost of US$4.5m. However, Mr Iqbal Mamdani, its president and chief executive said on his return to Bahrain from Cairo this week, that "the structure of the transaction as proposed by the existing shareholders of Pyramids Bank was not attractive to TAIB."

It is believed that nine or more U.S. banks may now have entered into the discussions. Meanwhile Qatar National Bank (QNB) has confirmed that it is still negotiating with Pyramids. Mr Hamdi al-Alami, the general manager, said QNB would prefer to operate in Egypt under its own name, but if its renewed application for an offshore licence was unsuccessful a stake in an established local bank would be the only alternative. The Central Bank of Egypt, did grant QNB a licence in 1977, but the bank failed to take it up within the six-month time limit.

● TAIB recently acquired Credit-Corp Holdings, a small U.S. finance company, from Banco Urquijo of Madrid. The value of the deal has not been disclosed. Although TAIB has a representative office in New York, the acquisition of Credit-Corp will give it a U.S. asset base, in the region of $20m. Credit-Corp specialises in financing exports to Saudi Arabia.

Litex Bank

LITEX BANK wishes to make it clear that it has no connection with Jammal Trust Bank. Litex acquired control of Jammal Trust's forerunner, the Investment Bank, in 1966. In 1971 it sold this bank to Mr Ali Jammal, who subsequently changed its name.

BIDI set to resume operations

BY PETER BLACKBURN IN ABIDJAN

The Banque Ivoirienne de Developpement Industriel (BIDI) plans to resume operations in the year starting October following a financial rescue by the Government.

BIDI suspended activities early last year after recording a loss of $18m—three times its capital—in 1981-82.

The financial crisis arose when the bank's governing board became alarmed after bad debts trebled to $27.7m representing about one-third of outstanding loans. The sharp deterioration was attributed to the economic recession aggravated by alleged mismanagement.

BIDI was recently financially restructured and its 1981-82 loss has been halved after the government agreed to absorb $9.2m of bad debt. The Government has also agreed to convert a $3.1m long-term loan into a non-repayable grant and has repaid a $10m loan to Chase Manhattan.

The Chase loan was due in November 1983 just before the Government decided to reschedule medium-term public external debt.

The approval of a new lending programme and an increase in the bank's capital is due to be discussed at a shareholders' meeting in September.

BIDI has 12 foreign shareholders owning 54 per cent of the bank's capital. The most important are: France's Caisse Centrale de Cooperation Economique; the World Bank affiliate International Finance Corporation; Chase Manhattan; Lazard Freres; and Banque Francaise de Commerce Exterieure.

The bank's resources are officially put at $13.6m, including $5.25m of capital, $4m of provisions against "general risks," and the coverted Government loan.

In addition to an increase in capital, BIDI hopes to finance future lending by expanding industrial deposits and new credit lines from international financial institutions such as the World Bank and the African Development Bank.

A $50m World Bank credit linked to a programme of industrial policy reforms accompanying the bank's $250m second structural adjustment loan is under discussion.

Tokyo listing for Sears Roebuck

BY ROBERT COTTRELL IN TOKYO

SEARS ROEBUCK, the U.S. retailing and financial services group, was listed yesterday on the Tokyo Stock Exchange (TSE). Sears, the world's largest retailer, is the first foreign company to acquire a Tokyo listing in eight years.

The number of foreign companies listed on the TSE dropped from a peak of 17 in 1976, to 11 at the end of 1983. Most companies which delisted cited the high cost of maintaining a listing.

The TSE and Japan's Ministry of Finance have in recent months simplified listing requirements, eliminating some double-auditing and reporting obligations. This easing is one of several measures being taken in Japan in response to overseas pressure for easier access to Japanese capital markets.

Mr Edward Telling, the chairman of Sears, said in Tokyo yesterday that "we thought it behoved us as a blue-chip company to be listed on the Tokyo Stock Exchange." He said the easing of listing requirements was a factor in the timing of the move, and added that he expected more American companies to seek a Tokyo listing.

Mr Richard Jones, Sears' chief financial officer, said the group may well raise finance in Japan this year, but declined to give further details. Analysts believe Sears may plan to refinance an issue of yen bonds made in 1979, when Sears became the first foreign corporate borrower to make a "Samurai" issue. In its 1983 annual report, Sears recorded the equivalent of U.S.$86.4m in outstanding yen bonds maturing this year.

Mr Telling said Sears has some 2,500 shareholders in Japan, out of a worldwide total of 350,000.

Large loss at Associated Hotels

HONG KONG — Associated Hotels, the ailing property company, has reported further large losses for the year to September 30 and has written down the value of its assets to reflect the decline in the property market.

The company, which reported earlier this month that efforts to alleviate a liquidity crisis had failed, said that it had an operating profit for the year of HK$44m (US$5.6m) a 46 per cent drop from the year earlier.

Associated reported exceptional losses due to the fall in value of properties and exchange losses of HK$371.6m. It also had an extraordinary loss of HK$137.8m, contributing to a total loss for the year of HK$358m compared with the previous year's retained loss of HK$498m.

Following a revaluation of its properties, Associated said it had net assets of HK$40m, or 31 cents per share at the year-end, compared with HK$703m, or HK$5.48 a share a year earlier.

The company reported earlier that a leading shareholder, the Tian Teck group, had withdrawn financial support due to "unfavourable action by certain of the bankers" to Associated Hotels. One of its major assets, the Hyatt Hotel was transferred to a subsidiary over which the banks have a floating charge.

Associated said that its shares which were suspended from trading earlier, will resume trading when the annual report is posted to shareholders, by Thursday, June 14. AP-DJ

Interim jump at ICI Australia

MELBOURNE — ICI Australia, which is 62.4 per cent UK owned, said that, with improved demand and a lower fixed cost structure after previous cost cutting measures, net earnings rose to A$34.43m (U.S.$30.9m) in the half year to March 31 from A$1.07m a year earlier on sales up by 15.4 per cent to A$717.32m.

The stronger demand enjoyed in the second half of the previous year continued across all areas of the group, the company said, but average selling prices continued to be constrained by low-priced imports, especially from Europe.

Net profit was helped by an A$19.39m taxation investment allowance, mainly for a new olefines plant in Sydney which began production last December.

The second-half outlook is for lower growth and continuing tough import competition, combined with signs of a slowing down in the rate of recovery in business conditions, said the company.

An interim dividend of 7 cents is being paid, compared with 6 cents previously.

Reuter

FT COMMERCIAL LAW REPORTS

Ship's buyers indemnified for Qatar arrest

THE BARENBELS: Queen's Bench Division (Admiralty Court): Mr Justice Sheen: May 24 1984

WHERE A seller guarantees that his ship will be free from encumbrances on delivery to the buyers, the guarantee applies worldwide and is effective if the seller's pre-delivery debts make the ship vulnerable to arrest after transfer of ownership; and if the seller undertakes to indemnify the buyers against arrest for claims against him he will be liable, though the claims are made after transfer of ownership, if they validly lead to arrest under the law of the country in which they are made.

Mr Justice Sheen so held when allowing an appeal by the buyers of Barenfels, renamed Barenbels, from an arbitration award arising out of her arrest for debts owed by the sellers. The arbitrators held that the sellers were not liable under a guarantee in the sale contract that the vessel was free from encumbrances, and that the buyers were not entitled to indemnity.

* * *

HIS LORDSHIP said that on November 11 1980 the sellers agreed, on the Norwegian Sale-form, to sell Barenfels to the buyers.

Clause 9 of the contract of sale provided that "the sellers guarantee that the vessel at time of delivery is free from all encumbrances and maritime liens or any other debts whatsoever. Should any claims which have been incurred prior to the time of delivery be made against the vessel, the sellers hereby undertake to indemnify the buyers against all consequences of such claims."

The vessel was delivered to the buyers on December 10 1980 and was renamed Barenbels.

In February 1982 she called at Umm Said, Qatar. The local agents were owed a considerable sum of money by the sellers in respect of debts incurred prior to December 10 1980.

Early in 1982 the agents commenced proceedings in the Court of Qatar to recover the money. On February 6 the court ordered the detention of Barenbels. She was not released until security for the claim had been provided by the buyers' P & I (protection and indemnity) Club.

The buyers claimed they were entitled to damages for breach of the clause 9 guarantee, or to indemnity.

The arbitrators approached the question on the basis that the sellers' debts related to other vessels owned or chartered by them ["sister ships"]. They found as a fact that the Barenbels was validly arrested under the local law. They held that Clause 9 was insufficiently clear to entitle the buyers to indemnity and dismissed the claim.

In the present appeal the buyers contended that the arbitrators were wrong, (1) in holding that the sellers were not in breach of the guarantee; and (2) in holding that they were not bound to indemnify the buyers.

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The sellers guaranteed that at the time of delivery "the vessel" was free from all "encumbrances and maritime liens or any other debts whatsoever." A maritime lien attached to a vessel and could be enforced against her despite a change of ownership, even if the writ was issued after the change. The guarantee must be construed as giving world-wide protection.

"Encumbrance" was defined in the Shorter Oxford Dictionary as "a claim, lien, liability attached to property: a mortgage etc." Thus the first part of the guarantee was an assurance that the vessel was free from claims, liens and liabilities attaching to the vessel.

By "any other debts", the draftsman of the clause had adopted the parlance of the Admiralty Court and personified the ship. A vessel could not be a debtor, but could be arrested for certain debts of her owners. The words of the guarantee must refer to the owners' debts.

The second part of the guarantee therefore meant that the sellers guaranteed that at the time of delivery the vessel was free from the risk of being arrested in respect of any of the sellers' debts.

If a shipowner sold a vessel with a guarantee that the vessel was "free from all encumbrances or any other debts whatsoever" he guaranteed that the vessel could not be arrested in respect of any of his debts.

When a sale was being negotiated the purchaser was concerned only with those of the vendor's debts for which the ship might be arrested. If she was liable to be arrested in respect of the vendor's debts incurred in relation to a sister ship, that liability was an "encumbrance," and there was no reason to exclude from "any other debts whatsoever" debts in respect of which the vessel might be arrested.

For those reasons the arbitrators erred in law. They should have held that the first sentence of clause 9 embraced any indebtedness relating to any ship in respect of which Barenbels was liable to be arrested at the suit of the sellers' creditors.

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By the second sentence of clause 9 the sellers undertook to indemnify the buyers against all consequences of any "claims" made "against the vessel" which had been "incurred" prior to delivery.

The language was ungrammatical. Claims were not "incurred." Debts and liabilities were "incurred." Claims were "made" in respect of those debts or liabilities. The sentence should read: "should any claims in respect of liabilities . . . incurred . . . be made against the vessel." That did not affect the appeal.

The arbitrators held that there was no evidence before them that any claim was made "against the vessel." They said the claim was brought against the sellers and, under the local law, that involved an associated right to detain the vessel pending provision of security.

They found that the detention "was solely for that 'conservatory' purpose and that there could have been no question of the court . . . having power to order the sale of the ship."

The buyers contended that there was no evidence to support those findings.

The evidence was that under article 43 of the Qatar Maritime Code a creditor could arrest a vessel even if, by the time of arrest, it had been sold to a new owner, provided that it was owned by the debtor when the debt arose.

The difference between Qatar law and English law was that in England the writ *in rem* [against the ship] must be issued when the person who would be liable *in personam* was owner of the ship. If the writ was issued in time, the ship could be arrested after a change of ownership *(The Monica S [1968] P 741)*.

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In Qatar a creditor could arrest a vessel which had been sold to a new owner, provided that it was owned by the debtor when the debt arose. There was no provision that the suit must have been instituted when the debtor was owner of the vessel.

Thus the law of Qatar combined the concepts of a maritime lien, by which the right of action survived a transfer of ownership, and rights against a sister ship. In Qatar an action might be commenced against a sister ship after she had been sold.

Under article 46 of the Code, the court should lift the arrest if the person against whom it was effected submitted sufficient security to discharge the debt. Under article 49 an order confirming the arrest must include directions for sale.

If the buyers' P and I Club had not given security for the claim there would no doubt have been an application for sale of the Barenbels.

His Lordship was at a loss to understand what the arbitrators meant by their finding that the detention was solely for a "conservatory" purpose. They stated that the claim was brought against the sellers, but it was the buyers' ship which was arrested. If the court could not sell the ship, what could it do with property belonging to someone who was not a party to the proceedings?

When a ship was arrested there were only two courses open to its owners. The first was to put up some form of security to obtain its release. The second was to take no action and to allow the ship to be sold. That was the hallmark of an action *in rem*.

The owners of the Barenbels were the buyers and they were not indebted to the local agents. A claim *in personam* against them would fail.

The law of Qatar provided a wider range of remedies to creditors of ship-owners than was provided in England. Article 43 gave a remedy against the vessel for debts of her former owners for which the new owners had no liability.

For those reasons the appeal was allowed. The sellers were in breach of clause 9 and were liable to indemnify the buyers against all consequences of the claims made against the ship.

For the buyers: Bruce Reynolds (Richard Butler and Co.).
For the sellers: Michael N. Howard (Bird and Bird).

By Rachel Davies
Barrister

UK COMPANY NEWS

Metal Box tops £70m and pays 15p

TAKING INTO account a substantial growth in earnings, from 25.2p to 58.7p per share, and the increasing financial strength including net borrowings down 55 per cent, the directors of the Metal Box group are giving shareholders a 30 per cent lift in their dividend for the year ended March 31 1984.

The final payment is up from 6.51p to 9.19p for a total of 15p net, compared with 11.55p in the previous year.

Results for 1983-84 of this packaging and central heating group are complicated when comparing them with the previous year, following the change of the South African company from a subsidiary to an associate. In the first half its figures were consolidated, whereas in the second only that part of the profit relating to the group's current 25 per cent interest was taken.

In the year, group turnover came to £1.26bn, compared with £1.37bn. Profit before tax advanced from £52.5m to £70.1m, in large measure reflecting the recovery in trading profits in the UK and a substantially lower interest charge, reports the chairman and chief executive Mr D. Allport. The improved profitability achieved by the Open Top, Stelrad and Metal Box engineering divisions was "particularly encouraging" and, although there is still scope for further improvement, they are now making a more satisfactory contribution to profits.

Total overseas trading results, other than South Africa, were virtually unchanged—improved figures in Greece, Italy, Kenya, U.S. and in Stelrad's European operations offset results in Nigeria which were affected adversely by economic conditions.

Mr Allport says a further strengthening of the balance sheet was a feature of the year. Tight control established over cash management and working capital continued and, before taking account of the cash inflow of £39.2m arising from the South African restructuring, the group "more than succeeded in its aim of achieving a balance between cash required and generated."

Group borrowings were reduced by £89.3m gross during the year and were £90.9m at March 31. As a result the gross debt to equity ratio improved from 42 per cent to 24 per cent at the year end.

As regards the current year, the chairman says little change in the volume of group sales is anticipated, but it is believed there are opportunities for further improvements in earnings flowing from the continued benefits of the recent capital expenditure and the group reorganisation.

"The company remains firmly committed to the improvement and development of its packaging business in this country and elsewhere in the world. We believe that the various policies we are pursuing will provide enhanced prospects for the future."

If the South African restructure had applied for the whole 12 months, the group turnover would have been £1.11bn, profit before tax £65.9m, and earnings 60.3p per share, proforma accounts disclose.

Reorganisation costs, including redundancies, at £23.1m were higher than had been anticipated, but they should be significantly lower in future.

	1983-84 £m	1982-83 £m
Turnover	1,263.1	1,371.2
Operating profit	86.2	86.0
Related companies	6.0	2.1
Trading profit	92.2	88.1
Open Top	19.5	9.5
General Line	5.8	7.7
Paper and Plastics	0.4	0.5
Engineering	2.1	*0.6
Overseas	27.3	32.7
U.S.A.	10.5	7.0
Related companies	6.0	2.1
South Africa	13.1	28.6
Stelrad UK	6.9	1.5
Stelrad Overseas	0.6	*0.9
Interest paid	22.1	35.6
Profit before tax	70.1	52.5
Taxation	16.3	17.2
Minorities	10.4	16.2
Net profit	44.4	19.1
Profit on sales	28.9	0.4
Reorganisation costs	23.1	17.5
Deferred tax	3.9	—
Attributable	44.3	2.0
Preference dividend	0.1	0.1
Ordinary	11.3	8.7

* Loss.

See Lex

HIGHLIGHTS

Lex looks at the news that British Aerospace has terminated talks with Thorn EMI and looks at the position of GEC and the Government. The column then moves on to comment on the latest round of losses from Nimslo and raises the question of how long the red numbers can run. Elsewhere on the corporate front, Metal Box produced another step along the path towards recovery with a dramatic improvement in earnings on the back of restructured operations. Finally the column comments upon the latest figures from Arthur Guinness which is benefiting from the reducing costs of its own reorganisation.

Losses at Nimslo increase to $13.8m

A DRAMATICALLY reduced base of operating overheads will allow Nimslo International to approach the amateur market, and new imaging opportunities in a more selective and financially rewarding manner, says Dr Jerry Nims, chairman. Net losses for 1983 rose from $12.15m (£8.77m) to $13.75m (£9.93m) following which extraordinary debits climbed from $2m to $17.01m.

Extraordinary costs included additional amortisation of intangible fixed assets as well as the costs of major reorganisation and restructuring. Dr Nims believes these actions will achieve a positive cash flow in the current year and profitable operations in 1985.

At the halfway stage, when attributable losses rose from $9.49m to $11.77m, the directors were hopeful of reporting a modest profit during the second half.

Turnover for the year of this maker of 3D cameras, which is quoted on the USM and is based in Bermuda, expanded from $18.28m to $26.18m.

Gross profits moved ahead from $8.7m to $11.54m after which net operating expenses were reduced from $29.76m to $24.5m. Pre-tax losses of $13.64m ($12.13m) included exceptional credits last time of $7.24m and interest receivable of $175,000 ($1.83m). Interest payable rose from $142,000 to $852,000.

Tax came to $109,000 ($16,000).

It was announced last February that the directors were proposing a demerger of Nimslo Pro Products from Nimslo International and modification of the master agreement between Nimslo and Neuton BV as well as collaboration arrangements between Nimslo and Fralsen Optique SA.

While they still recommend a demerger the directors believe that, in the light of attendant disadvantages which have emerged and following discussions with professional advisers, a demerger should not be pursued at the present time. In other respects the proposals remain unchanged.

See Lex

Guinness moves ahead by £5m at interim stage

AT THE pre-tax stage, profits from Arthur Guinness and Sons for the six months ended March 31 1984 have risen by almost £5m to £29.2m. Mainly, this reflects a £1.9m saving in exceptional costs and a £1.5m cut in interest charges, and exchange rates have had some effect.

The 1983 comparisons have been retranslated at September 30 1983 exchange rates. Results of the Republic of Ireland and overseas subsidiaries for the 1984 half year have also been translated at those rates. Had the relevant rates prevailing at March 31 been used, then the profit for 1983 would be £1.6m higher than that stated and for 1984 it would be £900,000 higher.

As to the future, the directors are considerably optimistic following the action they have taken with the established businesses and the programme which has been instituted for further development of them. They will continue to invest in own brands in order to develop "a truly international business."

With the proposed acquisition of Martin The Newsagent, the group is now embarked upon a course for growth in consumer-related areas. The aim is disciplined and sustained growth, and to achieve this it will continue to strive for greater efficiency.

The directors believe that opportunities exist to apply management and marketing techniques to specialist multiple retailing. "Martin will spearhead a new drive by your company into this area by applying our management techniques, we have made Drummonds and Lavells two of the most profitable chains in their respective sectors, and we now expect to be able to improve Martin's level of profitability," they tell shareholders.

The interim dividend for the current year is lifted from 1.6555p to 1.82p net. The total payment for 1982-83 was 5.7555p paid from reported profits of £58.8m.

For the half year turnover came to £424.1m, against £435.9m and trading surplus reached £38m (£37.6m). From this is deducted exceptional costs regarding brewing reorganisation £2m (£3.9m), depreciation £10.1m (£10.3m), finance charges £3.5m (£5m), and added related companies £6.8m (£5.9m).

A break-down of the turnover and profit before tax shows: UK £176.8m (£185.1m) and £8.9m (£6.5m); Republic of Ireland £155.5m (£151m) and £11m (£9.7m); overseas £91.8m (£99.8m) and £12.2m (same); less central finance costs £2.9m (£4.1m).

After tax £10.2m (£9.6m) and minorities £2.8m (£3.2m), the net attributable profit is £16.2m (£11.6m).

See Lex

Carlton Comm. up 42% and £6m purchase

AN UPLIFT of 42 per cent in pre-tax profits from £1.37m to £1.95m has been shown by Carlton Communications for the six months to the end of March 1984. Mr Michael Green, chairman, says that he is confident that there will be "organic growth over the next six months" and that full-year results will be well up to expectations.

Mr Green also announces the conditionally agreed £6.2m acquisition of Superhire.

The net interim dividend has been lifted from 1.6p to 1.95p. In the last full year a total of 4.5p was paid. Earnings per 5p share for the six months were shown as rising from 6.4p to 9.03p.

Turnover expanded from £6.13m to £8.49m.

Mr Green says that the television division has expanded in all areas and remains the largest contributor to profit. The programming division has recently been commissioned by Channel 4 to produce two new series, and a new company has been formed to make films for theatrical and television release.

Superhire, which the company is in the process of acquiring along with its associate, is a prop hire company, with 50 per cent of business coming from the independent television companies and the BBC.

Consideration will be satisfied by the issue of 1.65m new Carlton shares and arrangements have been made conditionally for Hambros Bank to place 1.23m of these shares at 377p, the balance being retained for a minimum of 12 months by the vendors.

Pre-tax profits of Superhire in the 3 years to the end of May 1983 increased from £327,000 to £779,000, and the vendors have warranted that profits to May 15 1984 were not less than £850,000. Net assets at November 30 1983 were £725,000.

● comment

Carlton's strength lies in the complementary mix of its activities, most of which are in strong growth areas associated with television production, exhibitions and advertising. Even the latest acquisition has spin-off value because it can supply props to The Moving Picture Company, the photographic division as well as the exhibition business. The paper consideration makes this an opportunist prize as the company has only just raised £7.7m rights for acquisitions — cash which has also enabled the capture of Video Time to consolidate its position in the video market. The combination of organic growth and acquisitions point to an even stronger second half with medium-term prospects looking especially bright seeing there is still at least £8m in the kitty. The order backlog at IVCC will also start to be eroded once the extra production facilities come on stream later this year. With £4.4m pre-tax in prospect for the year, the prospective p/e on the increased capital of over 20 at 425p, up 20p, looks about right.

Premier Consd. profits fall

NET PROFITS of Premier Consolidated Oilfields fell from £2.62m to £42,000 in the year to end-March 1984.

The decline reflects the absence of the 1983 exceptional profit from the sale of Premier's interests in the Midway Sunset oilfield and much reduced unrealised exchange gains.

Turnover rose slightly from £4.97m to £5.01m and gross profits emerged marginally ahead at £3.29m compared with £3.23m. The results, says Mr Rolan Shaw, the chairman, reflect the company's continuing policy of undertaking exploration expenditure in order to build capital growth.

Taxable profits amounted to just over £1m, against £4.15m, and included interest and dividend income of £1.04m (£1.49m) and exchange gains of £230,000 (£1.15m) — interest payable totalled £148,000 (£23,000).

Tax took £965,000 (£1.53m), after which earnings per 5p ordinary are shown as 0.03p (2.32p).

There is again no dividend but another one-for-10 scrip issue has been proposed.

Pre-tax profits at the interim stage amounted to £695,000 (£1.39m) with turnover at £2.37m (£2.25m).

Premier estimates its proven oil and gas-equivalent reserves at a total of 36m barrels. Proven reserves of this magnitude mean, says Mr Shaw, that Premier will build its future on the substantial cash flow resulting from the development of the reserves as well as an active worldwide exploration programme.

Net book assets at the year end were £4m higher at £30m.

Completion of the Wytch Farm purchase in May gave Premier a 12.5 per cent interest in Dorset onshore licence PL089, bringing an immediate production gain of 500-600 barrels per day and thereby doubling its turnover.

● comment

Premier is a remarkably pure example of the principle that profits are there not to be paid to the taxman or the shareholder, but to be ploughed back into exploration assets on the shareholder's behalf. The company's exploration record has been drab in the past, but the Wytch Farm acquisition transforms matters—contributing 25m barrels to the company's proven reserves of 36m. The purchase is being paid for by a mixture of cash and bridging loans, on a one-thirds/two-thirds basis. But the balance sheet remains liquid, especially if the £3.2m LASMO stake is included. The chief question is how fast BP—the Wytch Farm operators—can step up production, subject to the constraints of the Dorset planning authorities. Peak production—40-50,000 barrels per day, perhaps—should be at least three years away. Asset value per share is certainly well in excess of the price of 53p (unchanged), but it would help if shareholders had some prospect of their holdings representing some kind of income, rather than a store of value.

Leigh Interests finishes £0.6m in black

INCREASED OPERATING efficiency and decreased overhead costs have continued the trend back to profitability which was apparent at the midway stage for Leigh Interests, waste and effluent processor.

The interim profit before tax of £304,000, representing a turnround of £431,000 over the previous year's loss, has emerged as a surplus of £559,065, against a loss of £572,591, for the year ended March 31 1984.

A final dividend of 1.25p per share net compares with 0.5p last time, and partially restores the total to 2p—5.63p was paid for 1981-82. Earnings per 5p unit were 2.8p (loss 7.2p).

The improvement was struck on turnover marginally down from £28.52m to £27.1m, but this year's figure includes only £4.8m from Mottershead & Smith which was sold last December, against £8.5m. Excluding this contribution in both years, group turnover shows an increase of 11 per cent.

Trading profit rose sharply from £281,169 to £1.37m after a roughly unchanged depreciation charge £1.56m (£1.51m), while income from fixed asset investments increased by £8,771 to £52,655. Net interest charges were £860,799 (£897,644).

After an almost doubled tax bill £278,934 against £146,803 and an extraordinary item below the line of £257,619 (£882,071) a further £589,000 deferred tax has been charged to reserves.

Commenting in detail, Mr William Pybus, chairman, states that mainstream waste disposal activities resulted in a trading profit of £1.14m against £536,000 on a turnover of £15.9m (£14.5m).

Results in the West Midlands, the group's most important waste disposal area, were "particularly pleasing" with the decline of the past three years being arrested, and a turnround from loss to an encouraging profit. The East Midlands maintained a satisfactory return.

As regards to the future, he is confirmed in the view expressed last year that the medium and long-term future of the group can be a bright one.

● comment

The tough policy of attacking costs and getting rid of loss-makers seems to be working at Leigh. Some progress, too, has been made in bringing down borrowings but at around £4.5m, this is still fairly high in relation to shareholders' funds, so the sale of surplus land to Sainsbury, which is conditional on the granting of planning permision, is going to be a crucial factor in the current year. But perhaps the most hopeful sign is the optimistic tone of the statement, which suggests that West Midlands industry, the heart of Leigh's waste disposal activities, is rousing itself. If this is sustained there is every chance of a reasonably quick full recovery now that many of the peripheral activities are out of the way, enabling management to get stuck into the remaining non-mainstream activities, particularly the office cleaning business. This recovery prospect is fully reflected in the rating—a 30 p/e at 85p, up 1p—with some speculative takeover support.

Piccadilly Radio puts 10% on USM

By William Dawkins

Piccadilly Radio, the commercial radio station which broadcasts to 1.4m listeners in Greater Manchester, is to become the third radio contractor to join the USM.

Stockbrokers Charlton Seal Dimmock are placing 800,000 non-voting shares, 10.26 per cent of the non-voting equity, at 28p each. Piccadilly is valued at £2.9m at the placing price and stands on a prospective earnings multiple of 14.7.

Pre-tax profits for the current year to September 1984 are forecast to decline from £429,000 to £385,000, reflecting the increased competition Piccadilly and other radio stations are facing from new commercial television services.

The IBA has confirmed in principle that it will renew Piccadilly's contract for a further eight years after its expiry next April. The IBA has announced no plans to authorise competitor radio stations in Greater Manchester, where Piccadilly has been broadcasting for 10 years.

The group is coming to the market to conform with the IBA's policy of encouraging wider local share ownership, and to give it future access to equity finance for diversification plans.

The directors are planning to pay total net dividends of 1.875p per non-voting share and 3.75p per voting share — all of which remain in private hands — for the current year. At the placing price, the prospective yield is 9.6 per cent.

Plaxtons up to £1m so far but sees downturn

DESPITE achieving an almost doubled result in the 26 week period to April 1 1984, Mr F. W. Plaxton, the chairman of Plaxtons (GB), coachbody builder, does not expect that the sharply higher profits experienced in the second half last year will be repeated.

The taxable surplus at the midway mark stood at £982,000, up from £479,000, but the final figure last time was £2.92m. The chairman now states that the overall result for the year, for both the major coach body-building activity and for the group as a whole, will be in the region of £2m.

The interim dividend of 1.5p per 25p ordinary share is effectively unchanged. The total last time was 4.5p, adjusted for the one-for-one scrip issue.

Turnover of this Scarborough-based company rose slightly for the period, from £14.36m to £15.62m, having ended last year at £32.6m. The second half will be affected by the now more pronounced seasonal trading in the coachbuilding industry and the less buoyant private sector. The group is confident of holding its market share, state the directors.

Trading profit increased sharply from £381,000 to £868,000, to which net interest added a larger slice at £114,000 against £98,000. The tax charge was up from £212,000 to £425,000, and earnings per share emerged at 4.7p, against an adjusted 2.3p.

A divisional breakdown of the trading surplus reveals a substantial increase in the profitability of the luxury coach and bus building sector together with coach service and special products which rose more than three-fold from £222,000 to £746,000. This was offset slightly by the decrease shown by the building and shopfitting division, down by £95,000 to £10,000.

Vehicle fitments manufacture and supply turned in a roughly unchanged result, at £75,000 against £71,000, while the cab conversions and small vehicles sector achieved a £54,000 turnround to reach £37,000 profit.

Commenting on the trading performance, Mr Plaxton stated "that the building and shopfitting division had a 'significantly reduced' turnover occasioned by the continuing shortage of large contracts. Margins remain extremely tight," he added.

The vehicle fitments manufacture and supply division maintained last year's improvement in the first half but turnover is likely to be no higher in the second half and profitability will be affected by marginal export business.

Charles Baynes

In the six months to March 31 1984 taxable profits at Charles Baynes, hacksaw blade manufacturer, were £242,000. Because of a change of year end to September 30 no direct comparisons are possible, but at June 30 1983 the result was £206,000.

The directors have declared an interim dividend of 0.5p, up from 0.3125p. The total last time was 0.8125p for the nine months to September 30 1983.

The figures, which include a 14-week contribution from the recently acquired businesses of Cleggs and Barretts, were achieved on turnover of £1.77m, against £1.07m last June. The new subsidiaries added £623,000, while engineering turnover declined from £1.07m to £962,000, having stood at £1.54m at the last September year end.

The chairman expects that the second-half of the year will show "substantial" growth.

LADBROKE INDEX
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Low take-up for Bank of Ireland rights

The decline in stock market prices has taken its toll on the Bank of Ireland's I£45m (£36.26m) rights issue launched the day before the market began its retreat. Yesterday underwriters Morgan Grenfell announced that only 58 per cent of the issue had been taken up.

The issuing price of the one-for-five rights issue was 350 Irish pence or 282 sterling to non-Irish residents. This represented a discount of 16½ per cent on the closing price on the day preceding announcement of the rights which in London was 340p.

Microgen soars 111% to £0.87m

Microgen Holdings, the computer microfilm company which *earlier this year moved from the* USM to a full listing, increased its pre-tax profits by £457,000 (or 111 per cent) to £866,000 for the six months ended April 30 1984.

The interim dividend is being lifted by 1p to 3p from earnings of 13.05p (6.71p) per 10p share.

Turnover for the opening half rose by 58 per cent to £2.64m (£1.67m).

The directors, headed by Mr Patrick Barbour, the chairman, say the increase in profits was due to steadily increasing use of the company's Computer Output Microfilm services and further improvements in productivity together with a substantial contribution from Systemset.

● comment

Acquisitions have provided the key element to Microgen's exceptional growth record as a public company. Within the latest figures Systemset added £240,000 to the pre-tax line while two months of LA COM was worth another £40,000. For the year as a whole—assuming no more acquisitions — pre-tax profits could tip the scales at £1⅔m dropping the prospective p/e to 19 at 565p, assuming a 40 per cent tax charge. The price has come a long way since the 190p USM listing 18 months ago but the market seems more than willing to award a glamorous rating. The profit margin may be ample justification for that approach *though the basic business is a* fairly cut-throat bureau operation where technological advantage over the neighbours is limited. Microgen has about a quarter of the bureau market which in turn is about a quarter of the whole industry—the rest being in-house. If it could use its mounting cash balance to pluck one of the sizeable in-house operations Microgen could make a quantum leap forward but otherwise a string of medium to small deals seems most likely. As time moves on it may need more than that to justify the earnings multiple—meantime rarity value leads the price.

UK COMPANY NEWS

Printing activities lift FIH to a record £6.51m

ALTHOUGH SEVERE weather affected the building supplies division of Ferguson Industrial Holdings in the final quarter the group pushed its pre-tax profits up to £2.69m to a record £6.51m for the full year to February 29, 1984.

Turnover rose from £119.2m to £137.41m and at the trading level profits totalled £7.02m, compared with £4.78m.

A final dividend of 4p (3.5p) lifts the net total by 14 per cent to 6.5p (5.7p).

Printing and packaging was the largest profits earner, increasing its contribution by £1.67m to £4.59m. Its return on capital employed of 31 per cent was an improvement on the already high return of the previous year.

The division's policy continues to be one of specialisation, particularly in the requirements of the major high street stores and their suppliers. Capital expenditure of £1.75m has already been authorised this year to increase this capacity.

In building supplies turnover increased by 14.4 per cent which was a result more of larger volume than of price increases. Trading profit of £2.18m (£1.74m) was a satisfactory 22 per cent return on average capital employed.

Indications, however, are that the building supplies business has reached a plateau from which further improvements on the present return will be difficult to achieve.

Construction activities made profits of £176,000 (£371,000) but on an average capital employed of only £285,000 represented a return of 62 per cent. Order books here are better than for some years.

In manufacturing, extraordinary charges of £1.91m were incurred. These costs were mitigated by a surplus of £677,000 on the sale of the 25 per cent interest in a South African shiprepairing company and a special dividend of £439,000 from Smiths Shiprepairers.

Group earnings per 25p share emerged at 16.7p (13.8p).

● comment

Ferguson has finally screwed up its courage to write-down the value of its loss-making Peerage giftware business taking an extraordinary charge of £1.91m to cover this and other reorganisation costs. The spreading awareness among the High Street chains of the value of good packaging has given a further boost to this division which now supplies the bulk of profits. In the builders' merchants division Ferguson is now concentrating on opening its own warehouses after turning down four potential acquisitions as being too pricy. It opened two warehouses last year and plans two more this. Smiths Shiprepairers, valued at £1 in the books, is producing useful profits but will be injected into a reorganised private sector shiprepair grouping if agreement can be reached with the other companies involved. First quarter results will benefit from a lower interest charge this time but will not match the 70 per cent rise of the same period last year. Profits growth will slow in the year ahead but £7.5m pre-tax should be attainable to bring the prospective p/e down to just over 8 at 146p. The historic yield is 6.5 per cent.

Central & Sheerwood £4m loss

A TAXABLE loss of £4.49m, against a small profit of £41,000, was incurred by Central & Sheerwood in calendar 1983 but Lord Eden, the chairman, is confident that the company will return to profit in 1985.

The loss, says Lord Eden, was largely due to continuing difficulties in the engineering division and to the need to take further steps to reduce slow moving stocks at Photopia, importer and distributor of trade photographic, optical, audio and electronic equipment.

This is Lord Eden's first statement to shareholders since he became chairman on January 1, and as well as commenting on the results he has outlined the strategy being implemented by the new board.

The first objectives of the board's initial strategy are "well on the way to being achieved," says Lord Eden. In summary these include the elimination of the group's principal loss-maker at Newton Chambers and the disposal, on a going-on concern basis where possible, of the new sub-units associated with it.

They also include the curtailment of over-production at Ransoms & Rapier at Ipswich, mobile and crawler cranes, with a consequent reduction in the working capital involved.

Also, the board has authorised capital investment for the continuing growth of the Holcombe/Dunn foundry division and the introduction of new management into the subsidiaries wherever necessary.

There is no dividend (0.3p). The loss per share is shown as 7.97p (1.04p).

Turnover for the year fell from £94.05m to £80.31m and gross profits declined to £15.24m (£21.97m). The taxable loss was struck after interest of £2.61m (£2.89m) and exceptional debits of £2.16m (credit £230,000) relating to abnormal stock and work in progress.

Tax took £381,000 (£501,000) and there were extraordinary debits, mainly relating to redundancy and closure costs, of £1.85m (£1.28m). The retained loss amounted to £6.96m (£2.13m).

Shareholders funds at the year end were £6.72m lower at £17.54m. Compensation amounting to £162,000 in total has been paid to four directors who have left executive service.

● comment

The market had already anticipated bucketfuls of woe from Central & Sheerwood, so its £4.5m pre-tax loss only sent the shares down by ½p to 9p, where the group is valued at £5.8m—around one-third of net assets. In its crusade to cut out C & S's non-performing fat, the new board has uncovered a startling lack of management control which had concealed the seriousness of Newton Chambers' losses and contributed to overproduction at Ransomes & Rapier. Four of the nine divisional managing directors have been changed since the start of the year, there have been redundancies in all the engineering subsidiaries except for Holcombe/Dunn foundries, and Newton Chambers has been split into three and put up for sale. Having wielded their reforming knife, the management now has to prove that the slimmed down C& S will return to health. Borrowings are already down to £15m against £21m in the previous accounts, and the group aims to achieve a 10 per cent reduction in working capital requirements by the year-end, with a return to the black in 1985.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
A. & M. Hire‡	0.1	Sept 3	—	0.1	—
Charles Baynes ...... int.	0.5	July 31	0.31	—	0.81§
Bradford Prop.	4	—	3.2	6.8	5.5
Carlton Comms. ...... int.	1.95	July 31	1.6	—	4.5
Central & Sheerwood ...	Nil	—	0.3	Nil	0.3
Ferguson Ind.	4	Aug 6	3.5	6.5	5.7
Arthur Guinness ... int.	1.82	Aug 10	1.66	—	5.76
R. Kitchen Taylor ... int.	3	July 27	3	—	11
Leigh	1.25	—	0.5	2	1
Thomas Locker	0.92	July 27	0.92	1.3	1.3
Metal Box	9.19	July 27	6.51	15	11.55
Microgen ...... int.	3	Aug 1	2	—	6
Plaxtons (GB) ...... int.	1.5	June 30	1.5*	—	4.5*
Standard Fireworks	5	Sept 7	4.5*	5	4.5*

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § For 9 months to September 30.

R. Kitchen Taylor

Profits before tax fell from £733,000 to £621,000 at Robert Kitchen Taylor in the first six months to end-March 1984 on turnover down at £10.51m compared with £11.05m.

The company is engaged in knitwear manufacturing, textile merchanting, and property investment and dealing.

Flat trading conditions in the spring retail trade affected textile merchanting, but business has now picked up and better results are expected in the second half, say the directors. The UK manufacturing operations have been rationalised and the benefits are beginning to show through.

The interim dividend is held at 3p net per 10p share. Earnings per share are shown as 8.23p (8.56p).

Tax took £285,000 (£365,000) and minorities accounted for £16,000 (£36,000).

ISSUE NEWS

W. Canning raising £2.6m via rights

BY WILLIAM DAWKINS

W. Canning, the Birmingham-based manufacturer and supplier of speciality chemicals, metals and electronic components is to raise £2.6m net of expenses via a one-for-four rights issue.

The group is issuing 3,394,046 new 25p shares at 80p each, a 20 per cent discount to yesterday's market price of 100p, up 3p. Brokers to the issue are Cazenove and Co and dealings in the new shares are expected to begin on June 18.

Profits have risen only marginally from £1.44m before tax on sales of £55.1m in 1979 to £1.53m on turnover of £49.08m last year. But the board says Canning now has strong growth prospects and is continuing to expand its activities.

In the short term, the rights issue cash will be used to reduce borrowings, which stood at 19 per cent of shareholders' funds at the year end. Further ahead, the directors say that the funds will enable them to expand Canning's existing businesses and provide flexibility in acquiring related companies.

The board plans to pay a total dividend of 3.25p net (2.5p) for the current year. The new shares will not rank for 1983's final dividend, due to be paid on July 2.

● Trencherwood, a Newbury-based residential and commercial building company, will be the biggest in its sector when it joins the USM next week.

Stockbrokers L. Messel are placing 1.34m shares, equal to 15 per cent of the enlarged equity, at 145p per share capitalising the company at £13.05m. The founder and chairman Mr John Norgate is placing 32,680 shares, the rest being new shares which will raise £1.77m for the company.

Mr Norgate says the extra funds will augment working capital and help finance expansion.

Turnover more than doubled to £10.69m in the year to October, while pre-tax profits grew at a faster rate rising from £419,000 to £1.34m. The company forecasts another big increase for the current year to £2.5m of which around £900,000 will be from the commercial division.

That puts the shares on a p/e actual tax of 8.96 times and a yield of 4.53 per cent. Dealings are expected to begin next Monday.

● County Bank is bringing to the USM London & Clydeside, one of Scotland's largest private sector housebuilders.

They are placing 25 per cent of the equity, 2.27m shares at 108p per share which capitalises the company at £9.8m. The placing will raise £1m for L & C.

Its success has been based on two main planks of which one is the company's ability to gain key sites with planning permission.

Secondly, the company has established a reputation for good value and the use of traditional materials (no timber framing) with the result that subsequent sellers often advertise their property as L & C built.

The company showed a big increase in pre-tax profits between 1982 and 1983 from £320,000 to £1.22m on turnover of £8m (£4.9m). It made £354,000 in the first six months to March 1984 and forecasts £1.7m for the year.

The shares at the placing price are on a p/e of 9.1 and the forecast yield is 7 per cent. Dealings should also begin next Monday.

● Micro Focus, the successful business computer software company, is to graduate to the full market just over a year after its arrival on the Unlisted Securities Market.

Since it joined last May at a minimum tender price of 155p, Micro has seen its share price rise to a peak of 930p earlier this year, before falling back to end yesterday at 720p, unchanged.

The company says that it is seeking a full listing at the request of some of its institutional shareholders because of limitations often imposed on the proportion of USM stocks they may hold.

In 1983, pre-tax profits nearly tripled to £2.35m on turnover doubled to £9m. Dealings are expected to start on June 18.

Yearlings down

The interest rate for this week's issue of local authority bonds is 10⅛ per cent, down ⅛ of a percentage point from last week, and compares with 10 per cent a year ago. The bonds are issued at par and are redeemable on June 19 1985.

A full list of issues will be published in tomorrow's edition.

UK COMPANY NEWS

BIDS AND DEALS

Home Charm paying £7m for Unit Sales (DIY)

BY RAY MAUGHAN

Home Charm Group, the home improvement products retailer, is accelerating its expansion drive with a conditional agreement to buy **Unit Sales (DIY)** for £7m.

Founded 16 years ago, Unit Sales has grown throughout the Midlands from its base in Coventry and produced profits last year of £902,000, against £659,000, before tax. After tax, the respective figures were £537,000 and £417,000. Net worth is £2.33m.

Unit currently sells from 14 stores, ranging from 10,000 to 27,000 sq ft, and three of the larger outlets have adjacent garden centres. A further 26,000 sq ft store is to be opened shortly at Corby and, in addition, Unit has three smaller premises totalling 15,000 sq ft.

Home Charm will pay £3m of the consideration in cash but the remainder is to be funded through a placing of a further tranche of the 7 per cent convertible unsecured loan stock 1997-2004 which the group issued with its £17m rights in March. Those proceeds remain earmarked for Home Charm's £15m programme of 18 new site acquisitions this year.

The ordinary shares fell 2p yesterday to 151p which compares with the eventual conversion price of the loan stock at 166.67p per share. The convertible dropped £3 per £100 nominal to £104 although the new stock had been conditionally placed at £101¼, or a 5 per cent discount to the overnight price.

Mr Manny Fogel, the chairman of Home Charm, believes that the merger of Unit's operation with Home Charm's six Texas Homecare sites in the Midlands "provides an excellent opportunity" to increase representation in the area and to enlarge the group's operations by 300,000 sq ft.

The deal is conditional on shareholders' approval and Morgan Grenfell has conditionally placed the new stock with its institutional clients and those of de Zoete & Bevan.

Dee buys more Booker shares

Dee Corporation has continued to reinforce its contested bid for **Booker McConnell** through share purchases in the market.

It is understood that Dee, a food retail group, has managed to lift its stake in the food retail, agriculture and health food group Booker to 14.9 per cent.

Taking Dee's shares at 505p, up 3p, the terms of the offer value each Booker share at 191½p against its market price of 191p.

Booker has recently written to what its describes as "friends of the company," detailing the reasons for its resistance to the bid and explaining its rationalisation and divestment policy in the last few years which, Booker claims, has been carried out with great care.

Mr Michael Caine, chairman of Booker, has added that "I must confess that among by major worries is the real possibility that the same standards of responsibility will not be applied if the current bid is allowed to succeed."

Dee's response to these fears was expressed at the beginning of this week at what is described as an "open meeting" between Mr Caine and his opposite number, Mr Alec Monk.

Dee has been seeking to confirm that its responsibility to employees and business which have been sold matches that of Booker. It is understood to have added that it retains an open mind on the future of the Agatha Christie and Ian Fleming authors' royalties division and intends to retain the £15,000 Booker prize.

It has queried Booker's belief that a reference to the Monopolies Commission on the grounds of concentration in the cash and carry market would be in the interest of Booker's shareholders. Instead, Dee has pointed out, the combined value of the two businesses has risen substantially since the bid was launched indicating the market's approval of the logic of the merger.

Fraser share structure report due soon

THE Department of Trade and Industry yesterday said that a report prepared by Mr John Griffiths QC into shareholdings at House of Fraser, the stores group which is locked in battle with Lonrho, is expected "in the next few weeks."

Mr Griffiths has been investigating the shareholding structure for the D of T to determine whether shareholders have been secretly acting in concert with Lonrho to help the group gain more influence over Fraser. Lonrho holds 29.9 per cent of the shares.

Mr Terry Robinson, a Lonrho director, confirmed yesterday that Lonrho was preparing a counter report to meet possible allegations made by Mr Griffiths in his report. But Lonrho's report, according to Mr Robinson, was still in "draft form."

Meanwhile, the Office of Fair Trading is still attempting to gain voluntary undertakings from Lonrho. The undertakings are to ensure that Lonrho will not do anything which will alter the status quo at Fraser while a Monopolies and Mergers Commission inquiry is underway into Lonrho's plans to gain the election of six of its own directors and six nominees to the Fraser board.

A meeting on Monday with Lonrho's legal advisers and the Office proved inconclusive. The Office is still awaiting a further response from Lonrho.

Lonrho is arguing that its rights as a shareholder should be fully protected and is seeking the Office of Fair Trading's agreement that it can seek the election of four nominated individuals to the Fraser board. The group is also seeking to be able to force Fraser at the annual general meeting to undertake that it will do nothing which will affect Lonrho's aspirations for a demerger of Harrods, Fraser's main store.

BIDS AND DEALS IN BRIEF

Five Oaks Investments, a property investment company chaired by Mr Murdoch Morrison, said yesterday that new shares to be issued to finance and purchase of a Birmingham property would be placed by **Celadon Finance and Trading**, which is selling the property.

The 3.25m shares, which will increase Five Oaks' capital by 50 per cent, will be issued to Celadon at 30p each and will be placed at 31½p each through Mr Ben Anderson, a Five Oaks director who is also a partner in the Zorn.

* * *

A scheme of arrangement whereby the **National Westminster Bank** is able to buy a 29.9 per cent stake in leading Stock Exchange jobbers, **Bisgood Bishop and Co**, was approved in the Companies Court today.

The judge was told that the purpose of the scheme was to enable Natwest to later increase its holding to 49 per cent and eventually to 100 per cent as and when the Council of the Stock Exchange permitted. 30 per cent of Bisgood Bishop's shares are held by directors and employees, a small percentage by an employees's trust fund and the rest by outsiders.

Under the scheme the outsiders' shares are to be cancelled on payment of 275 pence per share and new shares created and issued to Natwest and two new companies. The judge was told that a "vast majority" of the outside shareholders have been in favour of the offer.

* * *

Brent Chemicals International has agreed to sell the industrial fabric care and food and beverage cleaning divisions of their U.S. subsidiary, **Brent Chemicals Corporation** to **Chemed Corporation**, a major speciality chemicals corporation based in Cincinnati. The business will be transferred to Chemed for $7.25m, of which $6.75m is payable in cash on completion and $500,000 within six months. The deferred payment is dependent on an agreed level of sales being maintained by the industrial fabric care division in the six months following completion.

The business to be sold achieved sales of $15.2m in 1983, and contributed profits before tax of approximately $400,000 after full overhead allocation. The net assets to be disposed of amounted to $3.5m at December 31, 1983.

* * *

Suter—Mrs Sandi Abell, wife of the chairman, has purchased £10,000 nominal 9½ per cent convertible shares. As a result of converting his holding of £600,000 9½ per cent subordinated convertible loan stock 1995-2000 into ordinary shares, Mr J. D. Abell, the chairman, now holds 1,520,000 ordinary.

Jackson Exploration—Mr M. W. Jackson, a director, has sold 1,270,000 common shares at 70p per share.

Property and Reversionary Investment—Following the purchase of 200,000 shares on June 5, Caviapan Trustees now holds 1,525,000 ordinary (5.6 per cent).

Prince of Wales Hotels—Taddale now holds an interest in 60 per cent of the share capital.

* * *

Waterford Glass Group and **Carroll Industries** are not proceeding with further discussions on a possible association as each board considers that it would not be in the interests of their respective companies.

MINING NEWS

N. Broken Hill bids for EZ

BY GEORGE MILLING-STANLEY

THE SHIFT in emphasis at Australia's **North Broken Hill Holdings** from income from investments towards operating income took a dramatic turn yesterday with the news that the company is to make an offer for all of the shares it does not already own in **EZ Industries**.

North Broken Hill plans to offer A$6 (387p) in cash or two of its own shares plus A$1.50 cash for each of the approximately 87m EZ shares not already owned. The company said the cash offer is worth A$520m (£335m), with the offer of shares and cash valued at A$537m.

The offer is well above the last trade of EZ shares in Melbourne of A$4.40, but the London price raced ahead by 91p after the announcement to close at 385p, broadly in line with the bid.

EZ Industries' main operations include lead-zinc mines in Tasmania and New South Wales, with important gold and silver by-products, and the big Risdon base metals refinery in Tasmania.

Probably the biggest prize for NBH, however, is EZ's stake of almost one-third in Energy Resources of Australia (ERA), which operates the Ranger uranium mine in the Northern Territory.

Industrial disputes and start-up problems with the new Elura mine in New South Wales gave EZ a loss from its own operations in the 28 weeks to January 11 of A$9.77m, but the group was able to report a net profit for the period of A$6.2m after including dividends from its stake in NBH and a contribution from the associate ERA.

Interest and dividends, largely accounted for by the holding in NBH, contributed A$5.84m, while the share of profits from ERA amounted to A$7.8m.

The lengthy strike at the Broken Hill silver, lead and zinc mines gave NBH a loss on its mining operations of A$3.38m in the opening three months of this year. The group remained profitable only because of the high level of investment income and the performance of **Associated Pulp and Paper Mills**, an associated company.

NBH announced its intention of raising the level of operating income at its annual meeting last November, and Mr Leith Jarman, chairman, stated that the group was prepared to sell some of its investments in order to provide cash to support its operating divisions.

The share market has speculated about the possibility of NBH moving to take full control of EZ for some time, but the timing of yesterday's announcement took dealers by surprise.

NBH said yesterday that it believes a merger to be in the interests of shareholders and employees of both companies, adding that it intends to maintain EZ's existing operations.

The relationship between the two goes back a long way, with NBH being one of the founding shareholders of EZ in 1916. Since that time, EZ has treated almost all of the zinc concentrates produced by NBH at its North mine at Broken Hill at its plant at Risdon.

NBH curently holds 30.36 per cent of EZ, with the group's superannuation fund also having a small stake, while EZ owns about 15 per cent of NBH.

The offer is not subject to any minimum acceptance conditions, and NBH said it will be funded from its existing resources and available facilities.

Driefontein tops market hopes

THE JUNE dividend declarations from the South African gold mines in the **Consolidated Gold Fields** group are generally in line with the share market's best expectations, with the exception of the 170 cents (94p) from the big **Driefontein Consolidated**, which is somewhat higher than had been predicted.

Driefontein's payment compares with last year's 180 cents, and makes a total for the year to June 30 of 275 cents, a little below the 315 cents paid in 1982-83.

The dividends, all finals, lend support to the view that the better-quality mines suffer least at times of stable or falling gold prices. The high-grade, low-cost operations such as Driefontein and Kloof, the two richest mines in South Africa, were able to pay dividends little changed from the previous year, while the more marginal mines found themselves forced to lower their payments.

The declaration of 10 cents from the young **Deelkraal** also pleased investors, with strong demand reported from South Africa for the shares.

This mine has had a number of problems since it came into production in 1979, mostly because recovery grades fell short of the initial projections, but the last quarterly report for the three months to the end of March seemed to indicate that the operation's performance was now coming up to expectations.

Profits in the period recovered sharply to R9.35m (£5.2m) from the previous quarter's R3.82m, largely on the back of the jump in recovered grade from 4.6 grammes of gold per tonne of ore to 5.1 grammes.

This improvement in grade, coupled with an increase in mill throughput, led to gold output 15 per cent higher than in the December quarter.

The latest dividends are compared in the accompanying table.

	June 1984 cents	Dec 1983 cents	June 1983 cents	Dec 1982 cents
Deelkraal	10	—	10	—
Doornfontein	120	*80	120	*80
Driefontein	170	*105	180	*105
Kloof	200	*130	200	*130
Libanon	140	*110	190	*110
Venterspost	80	*40	120	*60
Vlakfontein	20	†20	30	*15

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: Camford Engineering, Cifer, Flexello Castors and Wheels, KLP, Lake and Elliot, London Sottish Finance, Westland, Winterbottom Energy Trust.

Finals: Bassett Foods, Bisichi Tin, Henderson Administration, London Pavilion, Metal Siences, Mountview Estates, Pilkington Brothers, Tesco, UKO International.

FUTURE DATES

Interims—

Associated Fisheries	June 22
Inn Leisure	June 28
Jones (Ernest) (Jewellers)	June 19
Lookers	June 20

Finals—

British Benzol Carbonising	June 21
Brown and Tawse	June 26
Dyson (J. and J.)	July 27
Hicking Pentecost	July 12
LRC International	June 19
Platon International	June 18
West Bromwich Spring	June 15
Wigfall (Henry)	June 15

COMPANY NEWS IN BRIEF

British Printing and Communication Corporation is paying on July 2, a further dividend on four classes of cumulative preference share capital in respect of the period from October 1 1980 to March 31 1984.

The amount payable per share will be: 4.2 per cent cumulative preference—14.7p; 4.2 per cent "A" cumulative preference—14.7p; 4.2 per cent "B" cumulative preference—14.7p; 5.25 per cent cumulative preference—18.375p.

The directors say that regular dividend payments on these shares will be resumed on April 1 and October 1 each year.

Dividends on non-cumulative preference shares will be paid in respect of the year ended December 31 1983 in amounts of: 6.5 per cent non-cumulative redeemable preference 1998-2003—6.5p; 7.5 per cent non-cumulative redeemable preference 1993-1998—7.5p; 7.75 per cent non-cumulative redeemable preference 1998-2003—7.75p; 10 per cent non-cumulative redeemable preference 1986-89—10p.

Payments thereafter will be made on December 22 and June 22 each year in respect of the previous half-year ending on June 30 and December 31 respectively.

* * *

Substantial progress has been made by **ICI Australia** in the half year ended March 31 1984. Sales went up from $621.75m to $717.32m—equivalent to £462.8m—and the profit before tax from $6.56m to $36.89m, equal to £23.8m. Interest charges were cut by $6.46m to $9.8m.

After tax credit $34,000 (charge $3.72m) and minorities $2.8m ($1.77m) the net attributable profit came out at $34.43m ($1.07m). Earnings are 16.7 cents (0.6 cents) and the interim dividend is pushed up to 7 cents (6 cents).

* * *

Net asset value per £1 ordinary share at the **Cystic Fibrosis Research Investment Trust** improved from 179.5p to 208.4p in 1983. Dividends, deposit interest and commission rose from £69,621 to £75,617, and after management expenses—including debenture interest of £14,000—of £27,493 against £25,921, pre-tax profits emerged at £48,124 compared with £43,700.

After tax of £14,316 (£15,094), £33,808 (£28,606) was left for holders of loan notes.

The board says a further increase has been achieved in the return of loan notes, the effect of which is to provide the company with a gross return of 24.1 per cent on its investment.

* * *

A turnround from pre-tax losses of £181,023 to profits of £41,224 was achieved by **"The Times" Veneer Co.** in 1983 in line with midway expectations. The directors repeat their promise—made last September—to resume dividend payments at the earliest possible date. The last payment was in 1980.

Earnings are shown as 0.59p (losses 2.56p) per 5p share of this close company.

Turnover of this maker of veneers and processed wood products moved up from £4.06m to £4.62m, excluding VAT.

Pre-tax losses were struck after reduced associate losses of £9,407 (£29,526). The directors say that results incorporate 49 per cent of the loss of Swandrake for the period it was an associate and 100 per cent from May 5 1983 when it became wholly-owned.

* * *

Better than hoped for profits were made by **Thomas Locker (Holdings)** in the second six months but the group still finished the year to March 31 1984 with pre-tax figures down from £2.49m to £2.25m.

A final dividend of 0.92p holds the net total at 1.295p per 5p share. In their interim statement the directors were looking for profits similar to the first half's £940,000. In the event, they totalled £1.31m.

Turnover for the year amounted to £26.26m (£27.12m). The group is a screening and filtration engineer and wire weaver. Extraordinary debits rose to £738,000 (£209,000). Earnings emerged at 3.19p (3.51p) per share.

* * *

Pre-tax profits of **Standard Fireworks** improved from £1.01m to £1.21m over the 12 months ended March 31 1984 and the company is effectively increasing its dividend by 0.5p to 5p net per 25p share after allowing for last year's one-for-two scrip issue.

* * *

In the first five months of the year, combined sales of the continuing trading businesses at **Pentos**—retailing, fine art publishing, office and contract furniture—were in line with budget and were 26 per cent ahead of last year, Mr T. A. Maher, the chairman, told the annual meeting.

Sales of construction and property, the fourth of the continuing businesses, were also significantly ahead of last year, although comparison could be distorted by the timing of completions, he said.

Commenting on the businesses which were to be sold, he said each was showing an improved trading performance compared with the same period last year.

He drew shareholders' atention to the fact that the Trocadero development in London's Piccadilly was due to open this week. He believed the Trocadero would be a tourist centre of considerable importance—although it might take some time to establish itself.

He expected a further significant improvement in results overall in 1984.

* * *

In the half year ended April 30, 1984, sales by **Reckitt & Colman (Australia)** rose from A$131.9m to A$150.4m (£96.8m), and the pre-tax profit went up from $12.25m to $17.7m (£11.4m). It is expected that growth in the current half will be satisfactory, although not as high as that reported.

The interim dividend is raised to 8 cents (7.5 cents).

* * *

Mr Oliver Vaughan, joint chairman of **Juliana's Holdings**, said at the AGM that the investments which the company was making, while obviously holding back profits in the short term, were laying a very solid foundation indeed for the growth and prosperity of the company. In spite of these large investments which would result in little growth in the first half, he still expected profits to grow significantly in the second half, resulting in substantially higher profits for the whole of 1984 than for 1983.

Trading in the worldwide contract discotheque division had been in line with expectations for the first five months of 1984.

The nightclub interests had recently been expanded. In Hong Kong the acquisition by Supersport (in which Juliana's has a 50 per cent interest) of the I Club had been completed. The club had commenced trading as Raffles Hong Kong and, following extensive renovations beginning in June 1984, it was expected that the operation would contribute significantly to the company's profits from 1985.

Agreements by Supersport leading to the establishment of an entertainment complex in Harbour City in Hong Kong have been signed and it is expected that the facility will be opened in autumn this year. Further agreements are in advanced stages of negotiation and the resulting facilities are expected to open later in the year.

* * *

A group of leading pension funds from among the nationalised industries, local authorities and private sector have subscribed £10.7m for the **Causeway Development Capital Fund**, which will be providing development capital for UK unquoted companies.

Motor Cars

Residential Property

Rentals

Art Galleries

Tesco's 'operation centralisation'

David Churchill on the UK grocery chain's improved efficiency

ROBERT CARRIER, the gastronome and restaurateur, is hardly the sort of person you might expect to see extolling the virtues of Tesco's fresh meat on television. Yet Carrier is currently "fronting" Tesco's multi-million pound advertising campaign to emphasise just how far up-market Tesco has moved since the days of the late Sir John Cohen and his motto: "Pile 'em high, sell 'em cheap!"

Tesco, which today unveils its preliminary financial results, is in the process of a radical and fundamental change in its management structure, marketing mix, and corporate identity to re-position it in the forefront of the fiercely competitive £27bn a year British grocery market.

Tesco is trying to bridge the gap between the entrepreneurial style of operation developed by Cohen and the need for a more professional approach befitting a company with a turnover in excess of £2bn. Moreover, it is highly conscious of the success of its arch rival, J. Sainsbury, which has transformed itself from a family-run business into a supremely professional and successful grocery chain.

The man behind Tesco's drive up-market is 47-year-old Ian MacLaurin, who once played football in the same Chelsea team as Jimmy Greaves but who spurned the bright lights of professional football to carve out a career with Tesco. He is widely regarded in City and retail circles as one of the top retail executives in Britain today.

MacLaurin, who is due to take over from Sir Leslie Porter as chairman next year, was the architect of the 1977 "Operation Checkout" campaign — a brilliant marketing success (turnover in the first 10 weeks rose by a massive 44 per cent) but a disaster in terms of what it revealed. "All our deficiencies were cruelly exposed." admits MacLaurin. "We had too many small stores, poor warehousing and inadequate administration."

Not surprisingly, the apparent success but real failure of the Checkout campaign led to much soul - searching at Tesco's Cheshunt headquarters and not a little boardroom wrangling.

HOW UK SUPERMARKETS COMPARE

	1979	1980	1981	1982	1983	1984
TESCO						
Sales (incl. VAT) £bn	1.23	1.60	1.91	2.10	2.40	
Pre-tax profit £m	37.7	36.5	35.6	42.7	53.5	
Margins %	3.04	2.28	1.86	2.03	2.23	
SAINSBURY						
Sales (incl. VAT) £bn	1.00	1.22	1.58	1.95	2.31	2.68
Pre-tax profit £m	32.6	46.0	65.8	89.1	107.3	138.1
Margins %	3.16	3.70	4.05	4.44	4.40	4.91
ASDA						
Sales (incl. VAT) £bn	0.79	0.99	1.19	1.31	1.52	
Pre-tax profit £m	41.0	49.9	51.4	60.8	77.4	
Margins %	5.18	5.00	4.32	4.65	5.09	
KWIK SAVE						
Sales (incl VAT) £bn	0.26	0.33	0.40	0.49	0.56	
Pre-tax profit £m	12.2	14.4	19.3	23.6	27.4	
Margins %	4.6	4.3	4.8	4.8	4.9	

THE rivalry between Tesco and Sainsbury has intensified since the mid-1970s as both supermarket chains have fought for market supremacy. The ebb and flow of the battle between them is reflected in the table.

Behind these three groups comes the Asda superstores chain which has around 9 per cent of the market from retail sales of £1.5bn. Marks and Spencer's food sales are more than £1bn aand it is now a major challenge to the traditional supermarket chains.

Competition is also fierce among the smaller multiple chains, such as Kwik Save, Fine Fare, Safeway, and the Argyll outlets trading as Presto and Liptons. If the Dee Corporation succeeds in acquiring Booker McConnell then their combined supermarket outlets will join this group as a major competitor.

The rest of the grocery market is heavily fragmented with strong regional chains and voluntary groups such as Spar and Wavy Line. In addition, there are 40,000 or so small independent grocers.

But, as stockbrokers Capel Cure Myers point out in a recent report: "Tesco is grasping an opportunity that arises only infrequently in corporate histories: namely, that of reversing misfortunes and avoiding the degenerative phase of the corporate life cycle."

How has Tesco attempted to bring about its regeneration, and in so doing mount a fresh challenge to Sainsbury in the marketplace? The core approach has been to bring control back to the centre of what was previously a very decentralised operation. Central control has enabled the Tesco management significantly to improve store productivity performance through such retail operations as better stock control, shelf allocation and distribution systems.

"At the time of the Checkout launch we had the equivalent of several hundred separate businesses all operating under the Tesco banner," admits MacLaurin.

The problem was that store managers were given extensive powers to be virtually their own entrepreneurs in the marketplace. Each local store manager had the freedom to go out and negotiate his own deals with local suppliers and, within certain guidelines, sell at his own price. It worked when margins were fat and trade was relatively easy but, in reality, it augured chaos for any attempt by Tesco to gain control of its business.

The drive to centralise control was carried out in a number of ways. It has closed down about 250 small stores (under 10,000 square feet in size) in the past few years, while opening larger ones. Total store numbers, however, are down from 682 in 1978 to 403 at present.

All buying is carried out from a central buying office; individual store managers can no longer do their own deals. In addition, stores can only stock a certain range of goods according to their size. Before centralisation, store managers could effectively select from a product list of between 14,000 and 17,000 different grocery items, although in practice few stores had space for more than 4,500 lines.

Ian MacLaurin at Tesco's new superstore at Brookfield Farm, Cheshunt, Hertfordshire

MacLaurin remembers that he and his colleagues would visit stores at the busy time of the week and find that "often 80 per cent of our top selling lines were not in stock."

Now, all stores have been classified according to size and allocated a specific stockholding across a range from A to G. The order form for A-type stores, for example, relates to about 3,500 lines for the smaller stores and extends upwards to G-type stores with 7,500 lines. The G-range of grocery items is suitable for stores with a selling area in excess of 25,000 sq ft (of which Tesco has 94) and means that bigger stores sell non-foods as well.

Tesco also embarked in the early 1980s on a ruthless rationalisation of its large and unwieldy range of groceries. The total number of different lines stocked was brought down from 15,000 to 7,500 by analysing stores data to see which lines sold best and by negotiations with suppliers to gain the best deals.

Inevitably, many manufacturers—especially those supplying the smaller brands—were left out. "Our suppliers could not believe we would stick to this policy," recalls MacLaurin, "since our control was so poor in the past."

But Tesco has maintained its weeding out policy and achieved stock savings of about £30m a year in the process. Average stockholding for the company as a whole has almost halved in the last three years —from 5.76 weeks' stock in 1980, to 3.11 weeks last year.

Tesco's desire to exact control and improve efficiency also led to a revamped distribution system. Three years ago, about 80 per cent of grocery products were delivered directly to the store by manufacturers. That entailed a lot of hassle with lorries queueing for unloading and unloading staff having to be on hand.

Productivity

The tougher management approach has extended to reducing over-manning in certain areas. For example, Tesco has switched its butchery operation from using carcass meat to primal cuts (meat already butchered by the supplier). This means that it no longer has to employ master butchers (and apprentices). About 2,000 jobs have been pruned as a result and the amount of in-store space allocated to butchery has been reduced (thus enabling selling areas to be increased).

Increased sales space through larger stores has been another means by which Tesco has improved productivity. In the mid-1970s, the average Tesco store size was just under 5,600 sq ft; now it is 15,200 sq ft and growing as more superstores (larger than 25,000 sq ft of selling space) are built.

Tesco has been well aware that it is trading less efficiently than Sainsbury. Tesco has approaching 5m sq ft of retail selling space from 403 stores, compared with Sainsbury's 3.9m sq ft from 242 stores. Yet Sainsbury, with about 15.5 per cent of the packaged grocery market, has a two-point gap over Tesco; and Sainsbury's profit margins at 4.9 per cent are almost twice those of Tesco (which admittedly is in line with the industry's average).

MacLaurin maintains that the current approach has been to get the structure right, before trying to chase after Sainsbury's exceptional financial figures. With the productivity improvements now showing through into profits, Tesco hopes to let its margins move up slowly to the Sainsbury levels.

Tesco's problem is that while it has spent heavily on investing in new product development—such as pizzas and chilled foods—and in fresh foods, it still has an image problem. There are still too many small, poor Tesco stores around. Hence the £14.5m being spent this year on television and glossy magazine advertising in a bid to upgrade this image, using the ungrammatical slogan "Todays Tesco."

MacLaurin, however, is aware of the danger of alienating the bulk of Tesco's core customers by moving up-market too quickly. "We want to be a classless store," he maintains, with a customer profile not skewed to any particular segment but close to the average shopper profile. It is this fear that Tesco may eventually end up in a grocery 'no-man's land' that is worrying some City analysts. Robert Carrier, if he but knew it, has a lot more responsibility on his shoulders than simply selling meat.

BUSINESS PROBLEMS

BY OUR LEGAL STAFF

Valuation of shares

Given a non-quoted private limited company with shares held by three working directors and not saleable to anyone outside the company, could you please indicate if there is in existence an accepted formula for share valuation in the case of:

(a) The purchase by one director of sufficient shares to enable him to obtain full control ie 51 per cent of the shares.

(b) The subsequent purchase by the said controlling director of sufficient remaining shares ie 29.9 per cent. This would then make 80.9 per cent and would be enough to enable the controlling director to effect a sale of the company.

There is a variety of methods of valuation of shares in a private company. It would be for an expert valuer to apply the method which he thinks appropriate by using his own expertise. We cannot proffer a formula which would be certain to command acceptance, particularly where the valuation under the Articles of Association may not fall to be made on the same basis as it would for Capital Taxes purposes.

Deferred tax

I would value your opinion as to the fair way of showing the tax situation on the balance sheet of my company. There is a loss brought forward made up of past stock relief available to 1990. A provision has been created for deferred taxation due to the clawback contingency, viz a credit balance. There is a debit balance being ACT paid over a number of years which cannot be set off against mainstream liability because there are nil profits assessable. The asset is of doubtful value and depends on profits being earned or assessable in the future.

Am I justified in setting off the deferred tax provision against the ACT and showing a nil balance on the balance sheet (by adjusting the deferred tax to the same amount as ACT), the ACT being in excess of the deferred tax contingent liability?

On the bare facts, we consider that (as there should be no clawback of stock relief and as the recoverability of the ACT is doubtful) no deferred tax provision or offset should appear on the balance sheet. So the answer is effectivey yes.

Business courses

World aerospace: after the recession, London. August 28-30. Fee: £430 plus VAT. Details from The Financial Times Conference Organisation, World Aerospace Conference, Minster House, Arthur Street, London EC4R 9AX. Tel: 01-621 1355. Telex: 27347 FTCONF G.

Competitive marketing strategies, Brussels. August 27-31. Fee: Non-members BFr 64,000; Members (AMA/I) BFr 58,000. Details from Management Centre Europe; Rue Caroly 15, B-1040 Brussels, Belgium. Tel: 32/2/516.19.11. Telex: 21.917 MCE B.

Sales negotiation, London. July 11. Fee: IM members £99 plus VAT; non-members £105 plus VAT. Details from The College of Marketing Limited, College Booking Office, Moor Hall, Cookham, Maidenhead, Berkshire SL6 9QH.

Tax aspects of finance leasing, London. September 18. Fee: £55 plus VAT. Details from The Courses Department, The Certified Accountants' Educational Trust, PO Box 244, London WC2A 3EE. Tel: 01-242 6855. Ext. 848. Telex: 24381.

Information as a corporate resource, Henley, July 18-20 Fee: £490 + VAT. Details from the Registrar, Henley—The Management College, Greenlands, Henley-on-Thames, Oxon RG9 3AU. Tel: 049 166 454. Telex: 849026 HENLEY G.

Manufacturing strategy workshop, Brussels, September 3-4. Fee: Non-members BFr 49,000; Members (AMA/I) BFr 44,000. Details from Management Centre Europe, rue Caroly 15, B-1040 Brussels, Belgium. Tel: 32/2/516.19.11. Telex 21.917 MCE B.

Selection interviewing, Corby. August 1-2. Fee: BIM members and collective subscribers: £195.50; non-members: £218.50. Details from Conference Dept, BIM, Management House, Cottingham Road, Corby, Northants NN17 1TT. Tel: 05363 4222.

First steps to assertiveness, an introduction to skills of self assertion, London. July 12. Fee: £60. Details from the Secretary, Management Programme, Brunel University, Uxbridge, Middlesex UB8 3PH. Tel: 0895 56461 Ext 215.

SECTION III – INTERNATIONAL MARKETS

FINANCIAL TIMES

Wednesday June 13 1984

Optimistic start to world sugar talks, Page 36

WALL STREET

Steady tone slow to re-emerge

CONTINUED nervousness over the outlook for interest rates and the credit stance of the Federal Reserve left stocks initially heading lower on Wall Street yesterday, but a steadier tone in the bond market and a dip in the federal funds rate allowed some strength to re-emerge, *writes Terry Byland in New York.*

The stock market showed a fall of nearly 10 points on the Dow scale at midsession, but later rallied with the help of an improvement in the bond market. After recovering almost to overnight levels, however, stocks ran into further light selling in the final hour, and the Dow Jones industrial average closed with a net loss of 5.08 points at 1,110.53. Turnover, at 84.9m shares, was the highest for a week.

Late price for the long bond is 99⅜₂, a net gain of ¹⁷⁄₃₂.

Turnover picked up, and increased block sales indicated that investment institutions were trimming portfolios. A further 1.3m shares in Aetna Life and Casualty changed hands at $29½, unchanged from the previous close.

There were further sharp losses in airline issues and technology leaders found it hard initially to sustain overnight prices. The market has little to look forward to in the near term, with the third quarter reporting season, which opens at the end of the month, not expected to bring many surprises.

In a dull banking sector, InterFirst, the Texan bank with substantial loans to U.S. energy-related customers, slipped an early $⅛ to a new low of $9⅞.

Continental Illinois traded nervously around the overnight price of $6⅝ after Chemical Bank announced it was no longer considering bidding for the hapless Chicago bank. On Monday, First Chicago also disclaimed any further interest in merging with Continental Illinois.

The closing Wall Street report, updated U.S. market monitors and late Canadian prices were unavailable because of continuing industrial action at the Financial Times' printers in Frankfurt.

Bankers Trust appeared little affected by the news that it is selling part of its loan business to the U.S. subsidiary of National Westminster Bank of the UK.

IBM traded unchanged at $104⅛ as it reviewed its stance towards the anti-monopoly case brought by the European Economic Community.

Digital Equipment, $1¼ off at $88, and Texas Instruments, $¾ off at $128, were others to give ground.

Among airlines, the casualties again included AMR $½ down at $29¾, and UAL, $1¼ lower at $32⅞. Both are likely to suffer if a slowdown in the economy chokes off business travel.

Motor stocks to weaken included General Motors, $⅛ lower at $64⅞.

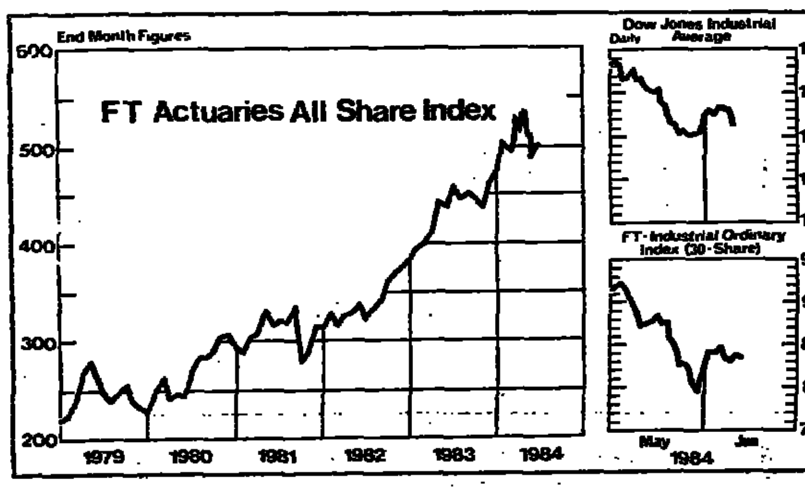
Trading in Walt Disney was delayed at the opening by a further wave of sell orders following the board's agreement to buy out the stake held by Mr Saul Steinberg. When trading started, the stock – which had already fallen sharply late the previous day when the market caught wind of the board's decision – dropped a further $5⅞ to $49⅝.

Colonial Penn, the insurance group, was suspended ahead of the bid from St Regis, the paper products group. Jewel Companies dipped $2⅝ to $62⅛ after the annual meeting passed without a comment from the board on the bid approach from American Stores. Chesebrough-Pond's, another recent target for bid hopes, eased $1⅛ to $35 on the absence of news.

The credit markets remained nervous and were slow to respond to an easing in the federal funds rate, first to 10⅞ and then to 10¹³⁄₁₆ per cent. Treasury bills rates edged above those marked at the auction of the previous day – when the six-month rate touched its highest level since August 1982. At 10.66 per cent yesterday, the six-month bill was two basis points up, and the three-month at 10.08 per cent, was 3 basis points higher.

There was little retail business in bonds, and prices moved narrowly as traders sought to balance their positions in a thin market. The key long bond, the 13¼ of 2014, at 98²¹⁄₃₂ was ⅝₂ up on the day.

KEY MARKET MONITORS



STOCK MARKET INDICES

	June 12	Previous	Year ago
NEW YORK			
DJ Industrials	1110.53	1115.61	1196.11
DJ Transport	463.07	469.24	572.94
DJ Utilities	123.31	123.03	126.80
S&P Composite	152.19	153.06	162.68
LONDON			
FT Ind Ord	834.1	838.1	724.7
FT-SE 100	1067.1	1075.9	955.5
FT-A All-share	498.52	501.98	449.12
FT-A 500	545.35	549.43	492.00
FT Gold mines	658.3	667.6	641.0
FT-A Long gilt	10.77	10.70	10.05
TOKYO			
Nikkei-Dow	10,324.83	10,376.83	8600.48
Tokyo SE	795.79	800.58	632.08
AUSTRALIA			
All Ord.	666.0	679.8	599.0
Metals & Mins.	439.1	454.0	528.8
AUSTRIA			
Credit Aktien	54.38	54.68	57.4
BELGIUM			
Belgian SE	146.83	147.91	120.54
CANADA	June 12	Previous	Yr ago
Toronto			
Metals & Minls	1919.3*	1958.2	—
Composite	2233.2*	2250.9	2377.3
Montreal			
Portfolio	108.56*	109.47	120.00
DENMARK			
Copenhagen SE	181.86	185.16	142.29
FRANCE			
CAC Gen	169.8	171.6	125.6
Ind. Tendance	105.7	107.0	76.8
WEST GERMANY			
FAZ-Aktien	346.54	346.59	308.89
Commerzbank	1004.8	1007.5	919.6
HONG KONG			
Hang Seng	958.90	966.12	886.52
ITALY			
Banca Comm.	203.20	203.62	190.63
NETHERLANDS			
ANP-CBS Gen	156.1	157.2	129.5
ANP-CBS Ind	124.2	125.2	103.9
NORWAY			
Oslo SE	253.91	259.26	185.1
SINGAPORE			
Straits Times	926.82	939.69	961.57
SOUTH AFRICA			
Golds	1027.4	1031.3	884.4
Industrials	1048.2	1044.0	941.7
SPAIN			
Madrid SE	122.07	121.36	115.28
SWEDEN			
J & P	1428.87	1426.66	1294.3
SWITZERLAND			
Swiss Bank Ind	359.3	364.0	319.6
WORLD	June 11	Prev	Year ago
Capital Int'l	177.9	179.2	173.3

GOLD (per ounce)

	June 12	Prev
London	$371.50	$376.00
Frankfurt	$375.00	n/a
Zürich	$375.00	n/a
Paris (fixing)	$375.65	$388.48
Luxembourg (fixing)	$376.15	$389.00
New York (June)	$374.40	$373.30

* Latest available figure

CURRENCIES

(London)	U.S. DOLLAR June 12	U.S. DOLLAR Previous	STERLING June 12	STERLING Previous
$	—	—	1.3625	1.3895
DM	2.725	2.714	3.7725	3.7675
Yen	232.65	231.85	321.25	321.75
FFr	8.385	8.335	11.6	11.58
SwFr	2.279	2.264	3.1525	3.145
Guilder	3.0745	3.059	4.2525	4.25
Lira	1688.0	1679.0	2333.0	2330.0
BFr	55.635	55.32	76.75	76.7
C$	1.30125	1.30125	1.7905	1.807

INTEREST RATES

	June 12	Prev
Euro-currencies (3-month offered rate)		
£	9⅝	9⅝
SwFr	4	3¹¹⁄₁₆
DM	5⅞	5¹⁵⁄₁₆
FFr	13⅛	13⅛
FT London Interbank fixing (offered rate)		
3-month U.S.$	11⅞	11¹³⁄₁₆
6-month U.S.$	12⅛	12⅛
U.S. Fed Funds	10⅝	10⅝
U.S. 3-month CDs	11.30	11.15
U.S. 3-month T-bills	10.04	10.02

U.S. BONDS

Treasury	June 12* Price	June 12* Yield	Prev Price	Prev Yield
12¾ 1986	99¹⁷⁄₃₂	12.90	99¹⁵⁄₃₂	12.93
12½ 1991	94⁹⁄₃₂	13.55	94⁹⁄₃₂	13.55
13⅛ 1994	97²³⁄₃₂	13.56	97²⁹⁄₃₂	13.50
13¼ 2014	98²¹⁄₃₂	13.41	98¹⁶⁄₃₂	13.44
Corporate	June 12* Price	Yield	Prev Price	Yield
AT & T				
10¾ June 1990	87¾	13.55	87¾	13.55
3⅞ July 1990	71	10.50	71	10.50
8¾ May 2000	66⅞	14.05	66⅞	14.05
Xerox				
10⅞ March 1993	83⅞	13.90	83⅞	13.90
Diamond Shamrock				
10¾ May 1993	82⅞	14.05	82⅞	14.05
Federated Dept Stores				
10½ May 2013	75⅞	14.10	75⅞	14.10
Abbot Lab				
11.80 Feb 2013	84¾	14.10	84¾	14.10
Alcoa				
12½ Dec 2012	84⅞	14.50	84⅞	14.50

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
June	61-23	61-22	61-08	61-13
U.S. Treasury Bills (IMM) $1m points of 100%				
Sept	87-33	88.80	88.72	88.71
Certificates of Deposit (IMM) $1m points of 100%				
June	88.71	88.65	88.57	88.63
LONDON				
Three-month Eurodollar $1m points of 100%				
June	87.13	87.17	87.03	87.20
20-year Notional Gilt £50,000 32nds of 100%				
June	103-19	103-26	103-06	104-03

COMMODITIES

(London)	June 12	Prev
Silver (spot fixing)	626.00p	644.85p
Copper (cash)	£974.50	£989.00
Coffee (July)	£2254.50	£2284.00
Oil (spot Arabian light)	$28.25	$28.34

LONDON

Debt doubts prompt downturn

LITTLE trace remained in London yesterday of the optimism aroused on Monday by the economic summit call for lower interest rates, with sentiment adversely affected by higher U.S. credit market yields and the latest turn of events on Central American debt.

Gilt-edged stocks sustained falls ranging to 1¼ points before rallying to close nearly a point down on the day.

Equity dealers were on guard against possible selling but little materialised. The FT Industrial Ordinary closed 4.0 lower at 834.1.

Minutes before the end of official business, the announcement that British Aerospace had terminated merger discussions with Thorn EMI caused a flurry of excitement. BAe dropped 15p to 368p while Thorn EMI recovered 14p to 555p.

Fresh pressure on golds was brought to bear in the wake of persistent but generally modest selling from Johannesburg.

Chief price changes, Page 30; Details, Page 31; Share information services, Pages 32–33.

HONG KONG

SLOW and featureless Hong Kong dealings – leaving the Hang Seng index 7.22 lower at 958.90 amid some late short-covering – were viewed as representing a calmer than expected response to the weakness in New York.

Hongkong Land fell 7 cents to HK$3.15, China Light 40 cents to HK$11.90 and Bank of East Asia the same amount at HK$22.40.

SINGAPORE

FURTHER selling pressure developed in Singapore amid a realisation that last week's revival had been narrowly based, with better quality stocks all but excluded.

Banks gave more ground, with the setbacks attributed to their big exposure to a saturated local property market. OUB at S$4.28 was 6 cents lower and at a new 1984 trough.

AUSTRALIA

A SEVERE erosion in Sydney share values was brought about by a combination of Wall Street weakness and a gold price setback. Although turnover slowed somewhat, declines throughout the mining and industrial boards left the All Ordinaries index 13.8 off at 666.0.

One dramatic exception was EZ Industries after the bid from North Broken Hill. EZ soared A$1.30 to A$5.90 while the bidder slipped 15 cents to A$2.20. BHP fell 34 cents to a 1984 low of A$9.54.

SOUTH AFRICA

A THINLY-TRADED Johannesburg session showed little reaction among golds to a bullion price setback, and Randfontein managed a R1 rise at R194.

Gold Fields of SA picked up 25 cents to R29.25 as it moved to announce dividends for group mines. Amgold dipped R1 to R153.50 while De Beers gave up 15 cents at R8.85. Industrials tended lower.

CANADA

THE METALS and minerals sector turned markedly lower in Toronto and set the tone for widespread weakness extending to the energy sector too. Elsewhere, a block of 100,000 in publisher International Thomson crossed at C$7¼, off C$⅛ from overnight

Banks led Montreal downward.

TOKYO

Enthusiasm quick to ebb away

THE SHARP overnight decline on Wall Street dampened investor enthusiasm in Tokyo yesterday and shares turned back after a three-day rising streak, *writes Shigeo Nishiwaki of Jiji Press.*

However, biotechnology issues and drug-related chemicals continued to find favour.

The Nikkei-Dow average lost 52.00 to finish at 10,324.83 on relatively high volume of 409.81m shares, compared with 375.49 the previous day. Losses outpaced gains 388 to 284, with 173 issues unchanged.

The market indicator, which had lost 1,277 points from the all-time high of May 4 to a low on June 1, added 463 in the subsequent 10 days, recouping more than one-third of the setback. Investors were therefore poised to adopt a wait-and-see stance when news of the Wall Street drop reached the market.

Many blue chips came under small-lot selling pressure. Hitachi declined Y12 to Y837, while Matsushita Electric Industrial and Honda Motor slipped Y40 and Y50 respectively, to Y1,700 and Y1,140. Among high-priced blue chips, Kyocera fell Y200 to Y5,970.

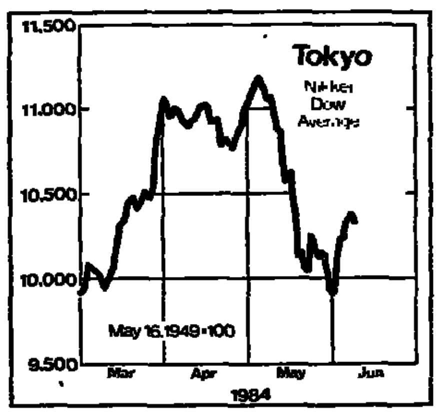
The biotechnology-related stocks were actively sought. Trading in Kuraray, which had been leading biotechnology issues, continued to be heavy but the issue dropped Y30 to Y715 as investors moved to take profit.

Buying of Toyo Soda ballooned, with the price gaining Y9 to Y345. This led investors to purchase Tokuyama Soda and Denki Kagaku Kogyo, which advanced Y34 and Y26, respectively, to Y574 and Y466. Toyo Soda was the most actively traded issue of the day, with 38.14m shares changing hands, followed by Onoda Cement, with 31.18m and a Y4 rise to Y322.

Non-ferrous metals also drew buy orders. Purchases by some leading securities houses were apparently designed to buoy up the market. Mitsui Mining and Smelting gained Y25 to Y567, but Nippon Mining went down Y12 to close at Y483 and Sumitomo Metal Mining Y20 to Y1,690 as selling later increased.

The combined margin buying balance of the Tokyo, Nagoya and Osaka stock exchanges as of last Friday increased Y14.7bn over a week earlier to Y2,760.6bn. The selling balance was Y256.9bn, up Y16bn.

No active trading was seen on the bond market due to an uncertain outlook, with city and trust banks buying or selling only in small lots. The yield on the barometer 7.5 per cent government bonds maturing in January 1993 edged up from 7.39 per cent the previous day to 7.40 per cent.



EUROPE

Few crumbs of comfort to be found

FEW CRUMBS of comfort were to be found yesterday as the European bourses returned after their long holiday weekend.

The depressed mood was dominated by Wall Street's sharp overnight downturn and further soured by the strength of the dollar and the outlook for interest rates.

Disappointment was also expressed in a number of centres at what was seen as an inconclusive outcome to the seven-nation summit in London.

In West Germany, trading activity was constrained by another regional holiday, while concern was expressed in Switzerland that agreement between Argentina and the IMF may prove elusive.

In **Frankfurt**, a partial recovery was made from opening lows in very quiet holiday trading. Much of the improvement came after calculation of the Commerzbank index, which was down 2.7 at 1,004..

Nixdorf Computer, listed for the first-time, moved up from pre-market levels of between DM 470 and DM 475 to close at DM 490.

The issue, put up last month for subscriptions at an official price of DM 380, was said to be in particular demand from foreign investors.

Motor manufacturers turned lower after their short-lived rally last week amid concern at the lack of progress in talks to resolve the metalworkers' strike.

Daimler-Benz shed DM 4 to DM 572, BMW DM 3.50 to DM 390, Volkswagen DM 1.30 to DM 192.20 and Porsche DM 9 to DM 1,015.

The Bundesbank bought a small DM 3.9m of paper to balance the market after sales totalling DM 12.4m on Friday.

Banks were among the biggest losers in **Zurich**, with trading more active than in other stocks. Union Bank fell SwFr 60 to SwFr 3,250 and Crédit Suisse SwFr 40 to SwFr 2,110.

Widespread losses were seen in **Paris** although the engineering sector held up against the trend, with Poclain adding FFr 1.50 to FFr 43.50.

However, heavy engineering concern Creusot-Loire slid FFr 2 to FFr 25.50 as it held last-minute talks with the Government to avoid bankruptcy.

A flat to lower tone was seen in **Brussels**. Market leader Petrofina fell BFr 110 to BFr 6,770 in light trade, although chemical issue UCB advanced BFr 40 to BFr 4,700 ahead of its annual meeting later in the day.

An absence of buying incentives kept investors away from **Amsterdam**, leaving shares to close lower.

Bonds fell back amid a general lack of demand and market speculation – all unconfirmed – of a possible further government issue as early as this week.

Milan was mixed, unsettled ahead of this week's European elections and speculation about a successor to Sig Enrico Berlinguer, the Communist leader. **Stockholm** and **Copenhagen** also drifted.

Madrid moved against the trend, turning slightly firmer in moderate trading with the advance led by chemicals and steels.

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
20⅛	13¼	AAR	.44	2.2	21	117	20⅛	19¾	20	+¼
53¼	31½	ACF	1.40	2.6	144	1082	53½	53¼	53¼	−¼
22	15½	AMCA	n 1	6.3		10	16	15¾	15¾	−½
18⅞	13⅞	AMF	.50	3.2		198	15¾	15½	15⅝	−⅛
41¼	26⅝	AMR Cp			5	5170	30¼	29⅞	30	−¼
20⅛	17⅞	AMR	pf2.18	11.		21	19¾	19⅝	19⅝	+⅛
41½	29⅝	AMR	pf2.13	6.6		452	32⅝	31½	32⅛	−¼
26⅛	23	ANR	pf2.67	11.		8	23¼	23¼	23¼	
16¾	8⅛	APL			4	23	11⅛	11	11	−⅛
56¼	40¾	ARA	2.10	4.8	9	65	44	43⅝	43⅞	−⅜
73	50⅛	ASA	3a	5.0		471	60⅝	59⅝	60½	−¼
31⅛	17	AVX	s .32	1.6	15	26	20⅝	20	20¼	
53⅞	38¼	AbtLab	1.20	2.8	15	1311	43¾	42⅞	43⅛	−¼
30¾	23⅛	AccoWd	.60	2.3	17	49	26¾	26½	26½	−½
27½	17	AcmeC	.40	2.4		433	16¾	d16¼	16¼	−¼
24⅞	11	AdmDg	.04	.3	7	11	12⅛	12	12⅛	
18⅞	15⅛	AdaEx	2.11e	14.		85	15½	15⅜	15⅜	+⅛
19⅛	12½	AdmMl	.28	1.6	8	196	17¼	17	17⅛	−⅛
22	13½	AdvSys	.81t	5.5	14	19	14⅜	14¼	14⅜	
18¾	7⅞	Advest	.12	1.5	10	101	8¼	d7⅞	8¼	+⅜
37½	25⅛	AMD	s		25	2682	31⅛	30	31⅛	−⅛
24⅝	9⅝	Aeroflex			11	74	12	11½	11½	
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AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
6⅝	2⅞	vjAMIn				150	3⅝	3⅛	3⅝	+⅛
4⅞	1⅛	ATI				3	1⅛	1⅛	1⅛	−⅛
64	58	ATTFd	n4.60e	7.7		80	59½	59¼	59½	+½
6⅝	2½	AcmePr				30	2½	2½	2½	
19½	12¼	AcmU	s.32	2.4	13	33	13½	13½	13½	
16	9⅝	Action	s		10	178	15⅛	14⅝	15⅛	+⅜
12	5½	Action s				22	6	5⅞	6	+⅛
6½	1⅜	Actn	wt			5	1½	1½	1½	−⅛
5⅞	2⅞	AdmRs			6	1	2⅞	2⅞	2⅞	
30⅞	15⅝	AdRusl	s.10	.6	11	29	17⅜	17⅛	17⅜	
28⅞	18	Adobe	.24	1.1	15	46	21¼	21	21¼	
6⅝	3⅞	AeglsCp			13	15	4½	4⅜	4½	
6⅞	4	Aeronca			7	21	5½	5⅜	5⅜	−⅛
31⅞	18½	AffHsp	.44	2.4	8	2	18⅝	18⅝	18⅝	+⅛
47	38⅞	AffPub	.80	1.9	14	10	43	42½	43	+⅜
17½	9⅝	AlrSix	.12e	.9	9	17	13¼	13⅛	13¼	+⅛
15⅞	5⅝	AlrExp				17	6½	6⅜	6½	+⅛
6⅞	4	Alamco			8	74	4⅜	4¼	4¼	−⅛
23⅞	9⅞	AlbaW	.20e	2.1	6	55	9⅞	9⅝	9⅝	
14¼	9½	AlmySt		1.4		5	14	14	14	
10½	6⅝	Aloha	.48r	5.9	3	1	8⅛	8⅛	8⅛	+⅛
28⅞	12⅝	Alphain	.06	.4	18	3	14	14	14	
2⅞	1⅛	Altex				137	1⅛	1⅛	1⅛	−⅛
11-16	¼	Altex	wt			58	¼	3-16	3-16	−1-16
35	31	Alcoa	pf3.75	12.		z800	32	32	32	
32½	11⅝	AlzaCp			70	64	15½	15⅜	15⅜	
29⅞	11⅞	Amdahl	.20	1.7	12	202	11⅝	11⅛	11⅝	+⅛
25⅞	12	Amedco	.08	.5	17	35	15⅝	14⅞	15⅛	−⅛
7½	4⅝	AmBlt	.15	3.0	6	10	5	5	5	
9⅝	2⅞	AmCap				11	6⅞	6⅛	6⅞	
39	30	AContrl	.92	2.6	10	9	35⅞	34⅞	35⅞	+1⅛
44⅞	13⅞	AExp	wt			57	14⅜	13⅞	14⅛	+⅛

Continued on Page 30

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 28

X—Y—Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
52⅛	36	Xerox	3	8.2	8	1227	36⅛	36½	36⅝	−⅛
51¼	45⅞	Xerox	pf5.45	12.		135	45⅝	45½	45½	−⅛
37	21⅝	XTRA	.2	.7	10	27	23⅞	23⅝	23⅝	−⅜
34	34	ZaleCp	1.26	5.0	8	6	25¼	25¼	25¼	−¼
24⅞	15½	Zapata	.84	3.9	13	648	21⅞	21	21½	−½
47½	28¾	Zayre	.40b	1.1	11	386	38½	35½	36	−1¼
38⅝	23⅝	ZenithE			10	1033	24⅞	24⅛	24½	−½
27⅝	18	Zero	s.36	1.9	15	54	19⅛	18⅞	18⅞	−⅛
37⅛	21⅛	Zurnin	1.32	5.9	12	128	22½	22⅛	22½	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–when distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

WORLD STOCK MARKETS

AUSTRIA

June 12	Price Sch%	+ or —
Creditanstalt	210	..
Goesser	534	1
Interunfall	407	..
Laenderbank	204	.
Perlmooser	361	-2
Steyr Daimler	144	1
Veitscher Mag	206	12

BELGIUM/LUXEMBOURG

June 12	Price Frs.	+ or —
ARBED	1,555	-100
Banq Int A Lux	5,000	...
Bekaert B	3,900	...
Ciment CBR	2,300	10
Cockerill	276	13
Delhaize	4,850	95
EBES	2,485	15
Electrobel	6,680	140
Fabrique Nat	1,950	30
GB Inno BM	3,100	+5
GBL (Brux)	2,315	35
Gevaert	3,200	-20
Hoboken	5,300	
Intercom	1,870	-5
Kredietbank	7,150	60
Pan Hldgs	9,850	
Petrofina	6,770	-110
Royale Belge	9,250	-30
Soc. Gen. Banq	3,100	45
Soc. Gen. Belge	1,750	
Sofina	5,970	20
Solvay	4,020	.
Tractionel	3,425	
UCB	4,700	+40
Vieille Mont	4,000	

DENMARK

June 12	Price Knr %	+ or —
Aarhus Olie	420	.
Andelsbanken	235	3
Baltic Skand	660	..
CopHandelsbank	236	3
D. Sukkerfab	606	10
Danske Bank	250	-3
East Asiatic	181	2
Forenede Brygg	920	..
Forenede Damp	110xr	1
GNT Hldg	485	...
I.S.S.B.	515	...
Jyske Bank	530	...
Novo Ind	2,265	...
Privatbanken	232	4
Provinsbanken	310	4
Smidth (F.L.)	224	2
Sophus Berend	1,010	5
Superfos	450	10

FRANCE

June 12	Price Frs.	+ or —
Emprunt 4½% 1975	1,810	-4
Emprunt 7% 1973	9,615	75
CNE 3%	3,624	5
Air Liquide	633	5
BIC	406	0.5
Bouygues	650	7
BSN Gervais	2,515	45
CIT-Alcatel	1,250	74
Carrefour	1,291	-21
Club Mediterr'n	885	4
CFAO	652	-6.8
Cie Bancaire	483	4
Cofimeg	224	4
Creusot Loire	25.5	1
Darty	930	2
Dumez S.A.	650	10
Eaux (Cie Gen)	525	-8
Elf-Aquitaine	225	10
Gen. Occidentale	629	5
Imetal	83	14
Lafarge Coppee	351	4
L'Oreal	2,376	3
Legrand	1,870	8
Maisons Phenix	215	15
Matra S.A.	1,376	..
Michelin B	752	-9
Midi (Cie)	1,850	13
Moet Hennessy	1,500	12
Moulinex	96.1	19
Nord Est	50.1	1
Pernod Ricard	755	0.1
Perrier	509	14
Petroles Fra	220	1
Peugeot S.A.	220	4
Poclain	43.5	4.5
Printemps Au	148.5	+1.5
Radiotech	297	1.5
Redoute	1,357	4
Roussel Uclaf	1,178	14
Schneider S.A.	88.5	22
Sefimeg	296	5.2
Skis Rossignol	1,321	.
Telemech Elect	1,565	11
Thompson (CSF)	248	15
Valeo	243	6

GERMANY

June 12	Price Dm.	+ or —
AEG-Telef	99.5	-1
Allianz Vers	775	+2
BASF	164.1	0.6
Bayer	169.5	..
Bayer Hypo	278.5	-0.5
Bayer Verein	319.8	3.2
BHF-Bank	266	
BMW	390	3.5
Brown Boveri	214	1
Commerzbank	158.5	0.2
Cont'l. Gummi	127	
Daimler-Benz	572	-4
Degussa	385	+1.5
D'sche Babcoc	153	-1
Deutsche Bank	347xd	1.5
Dresdner Bankk	154.8	1.7
GHH	147	-1.5
Hochtief	603	-5
Hoechst	166	...
Hoesch Werke	114.5	1.3
Holzmann (P.)	446	+2
Horten	196	..
Kali und Salz	198.8	+0.3
Karstadt	257.5	1.5
Kaufhof	232	6.5
KHD	244	1.5
Kloeckner	61.5	1.4
Krupp	78	.
Linde	367.5	1.5
Lufthansa	138	+0.5
MAN	146.5	-4
Mannesmann	143.3	+0.2
Mercedes Hld	502	4.8
Metallgesell	226	.
Muench Rueck	1,020	.
Preussag	270	-1
Rhein West Elect	162.2	-0.7
Rosenthal	237	1
Schering	331	3
Siemens	395	+1
Thyssen	84.5	0.3
Varta	176.8	-1.3
Veba	168.3	+0.6
V.E.W	122.5	+1.4
Verein West	299	+1
Volkswagen	192.2	1.3

ITALY

June 12	Price Lire	+ or —
Banca Com'le	33,000	+250
Bastogi IRBS	118	+1.8
Centrale	2,152	22
Credito Varesino	4,045	+10
Fiat	3,810	+39
Finsider	34.4	-0.6
Generali Assicur	33,320	30
Invest	3,230	+5
Italcementi	44,700	-100
Montedison	209	1
Olivetti	5,000	
Pirelli Co	2,490	6
Pirelli Spa	1,490	+35
Snia BPD	1,458	+1
Toro Assic	11,100	+90
do. Pref	8,400	50

NETHERLANDS

June 12	Price Fls	+ or —
ACF Holding	160	1.5
AEGON	116.5	2
Ahold	174	-1
AKZO	87	1.8
ABN	325.5	4.5
AMEV	149.8	1.7
AMRO	57.7	1
Bredero Cert	171.5	3.5
Bos Kalis Westm	31.1	..
Buehrmann-Tet	67.5	
Calland Hldgs	35.6	0.1
Credit Lyon'is Bk	46	3
Elsevier NDU	76.5	-2.5
Gist. Brocades	133.5	2
Heineken	122	4.8
Hoogovens	50.8	1.7
Hunter Douglas	27.7	+0.2
Int Mueller	36	0.2
KLM	154.4	5.9
Naarden	36	1
Nat Ned Cert	198	2
Ned. Credit Bank	40	...
Ned Mid Bank	126.5	1
Nedlloyd	112	..
Oce Grinten	227	1
Ommeren (Van)	26.9	0.1
Pakhoed	60.8	...
Philips	43.9	0.5
Rijn-Schelde	3.5	..
Robeco	61	0.5
Rodamco	137.5	+0.4
Rolinco	58.1	0.5
Rorento	199	0.4
Royal Dutch	156.4	1.4
Unilever	246.3	+0.3
VMF Stork	116.5	+0.5
VNU	145	..
West Utr Bank	64	0.2

NORWAY

June 12	Price Kroner	+ or —
Bergen Bank	160	-1
Borregaard	262.5	2.5
Christiania Bk	167.5	-1.5
Den Norske Credit	151	-1
Elkem	133	-5.5
Norsk Data	300	
Norsk Hydro	663.5	-15.5
Storebrand	208.5	-10

SPAIN

June 12	Price Ptas. %	+ or —
Bco Bilbao	320	-2
Bco Central	338	2
Bco Exterior	202	-2
Bco Hispano	232	2
Bco Santander	312	1
Bco Vizcaya	377	
Dragados	158	-3.5
Hidrola	52.5	0.2
Iberduero	51.7	+1.2
Petroleos	131	-3
Telefonica	83.7	

SWEDEN

June 12	Price Kronor	+ or —
AGA	336	+1
Alfa Laval	225	2
ASEA (Free)	290	20
Astra (Free)	355	30
Atlas Copco	122	+1
Boliden	350	5
Cardo (Free)	360	30
Cellulosa	137	1
Electrolux B	253	1
Ericsson	297	-3
Esselte	257	5
Mo Och Domsjo	370xa	3
Pharmacia	246	5
Saab Scania	398	5
Sandvik	450	5
Skandia	355	5
Skan Enskilda	150	1
SKF	180	...
St. Kopparberg	570	...
Sven Handelsbn	190	3
Swedish Match	280	5
Volvo B (Free)	487	

SWITZERLAND

June 12	Price Frs.	+ or —
Alusuisse	772	11
Bank Leu	3,610	90
Brown Boveri	1,280	40
Ciba Geigy	2,100	50
do. (Part Certs)	1,660	10
Credit Suisse	2,110	40
Elektrowatt	2,485	15
Fischer (Geo.)	605	
Genevoise	3,700	450
Hoff-Roche PtCts	93,500	1250
Hoff Roche 1/10	9,375	125
Jacobs Suchard	6,225	75
Jelmoli	1,780	30
Landis & Gyr	1,300	15
Nestle	4,920	100
Oer-Buehrle	1,180	5
Pirelli	245	1
Sandoz (B)	6,650	
Sandoz (PtCts)	982	10
Schindler (PtCts)	550	25
Swissair	905	8
Swiss Bank	328	1
Swiss Reinsce	7,800	75
Swiss Volksbk	1,365	10
Union Bank	3,250	60
Winterthur	2,910	25
Zurich Ins	16,900	225

AUSTRALIA

June 12	Price Aust. $	+ or —
ANZ Group	5.10	0.05
Acrow Aust	1.80	
Alliance Oil D	0.28	0.02
Ampol Pet	1.56	+0.01
Aust Cons Ind	1.72	0.02
Aust Guarant	2.18	0.05
Aust. Nat. Inds	2.05	0.05
Aust. Paper	1.92	0.04
Bell Group	4.85	0.05
Bond Corp Hldgs	1.28	0.03
Boral	3.10	0.03
B'ville Copper	1.83	0.05
Brambles Inds	2.65	0.05
Bridge Oil	1.88	0.03
BHP	9.64xd	0.14
CRA	4.80	0.16
CSR	2.98	0.14
Carlton Utd	1.70	
Castlemaine Tys	4.30	0.05
Coles (G.J.)	3.40	0.1
Comalco "A"	2.5	
Consolidated Pet	0.55	0.04
Costain Aust	1.6	
Dunlop Aust	1.35	0.03
E.Z. Inds	3.9	
Elders IXL	3.6	0.2
Energy Res	1.42	0.05

AUSTRALIA (continued)

June 12	Price Aust. $	+ or —
Gen Prop Trust	2.02	0.02
Hardie (J.)	2.92	-0.02
Hartogen Energy	2.10	0.05
Herald W'y Times	3.2	
ICI Aust	2.20	-0.05
Jimb'lana 50cFP	0.25	
Kia Ora Gold	0.15	-0.01
Lend Lease	4.95	-0.05
MIM	2.80	0.14
Mayne Nickless	2.55	
Meekatharra	0.85	
Myer Emp	1.53	0.04
Nat. Com. Bk	3.20	0.04
News	9.4	0.1
Nicholas Kiw	2.35	0.05
North Bkn Hill	2.20	0.15
Oakbridge	0.52	
Otter Expl	0.55	
Pancont'l	1.10	0.07
Pioneer Conc	1.35	0.05
Queensland Coal	1.97	0.04
Reckitt & Coln	3.3	
Repco	1.06	0.02
Santos	5.68	0.26
Smith (H.)	3.38	-0.02
Southland Min'g	0.33	
Spargos Expl	0.38	0.01
Thos. Natwide	1.84	0.04
Tooth	5.5	
Vamgas	4.85	
Western Mining	3.2	0.2
Westpac	3.75	0.05
Woodside Petrol	1.04	0.03
Woolworths	2.52	0.05
Wormald Intl	3.7	

HONG KONG

June 12	Price H.K.$	+ or —
Bank East Asia	22.4	0.4
Cheung Kong	8.65	0.05
China Light	11.9	0.2
Hang Lung Devel	2.4	
Hang Seng Bank	35	
HK Electric	5.85	0.05
HK Kowloon Wh	4.05	
HK Land	3.15	
HK Shanghai Bk	5.15	
HK Telephone	44.56	0.25
Hutchison Wpa	11.5xa	0.3
Jardine Math	8.55	0.05
New World Dev	3.18	0.02
Orient O'seas	2.3	0.05
O'seas Trust Bk	2.95	0.05
SHK Props	4.55	
Swire Pac A	16.5	0.1
Wheel'k Mard A	3.25	
Wheel'k M'time	1.9	
World Int. Hldgs	2.05	

JAPAN

June 12	Price Yen	+ or —
Ajinomoto	1,150	10
Alps Electric	1,890	70
Amada	1,100	10
Asahi Chem	670	15
Asahi Glass	734	18
Bridgestone	566	9
Canon	1,360	20
Casio Comp	1,260	20
Chugai Pharm	1,010	
Citizen	490	6
Daiei	709	
Dai Nippon Ptg	921	10
Daiwa House	500	
Ebara	1,030	10
Eisai	1,000	
Fanuc	8,220	330
Fuji Bank	900	
Fuji Film	1,500	
Fujisawa	1,000	
Fujitsu	1,170	30
Green Cross	1,690	50
Hasegawa	558	
Heiwa Real Est	563	
Hitachi	817	12
Hitachi Credit	1,460	60
Honda	1,140	30
House Food	755	
Hoya	1,050	
Itoh (C.)	297	
Ito Yokado	1,280	
Iwatsu	1,450	
JACCS	550	
JAL	6,500	
Jusco	1,100	
Kajima	298	
Kao Soap	779	
Kashiyama	614	
Kirin	575	
Kokuyo	1,010	
Komatsu	489	14
Konishiroku	662	
Kubota	389	
Kumagai	470	
Kyoto Ceramic	5,970	200
Maeda Const	515	
Makino Milling	1,300	
Makita	960	
Marubeni	398	
Marudai	930	
Marui	1,150	
MEI	1,700	
M'ta Elec Works	970	
M'bishi Bank	915	
M'bishi Corp	575	
M'bishi Elec	380	
M'bishi Estate	590	

JAPAN (continued)

June 13	Price Yen	+ or —
MHI	257	-2
Mitsui Co	353	
Mitsui Estate	680	-2
Mitsukoshi	396	
NGK Insulators	735	
Nihon Cement	212	-11
Nippon Denso	1,410	20
Nippon Elect	1,300	
Nippon Express	316	
Nippon Gakki	605	
Nippon Kokan	149	-1
Nippon Oil	1,030	20
Nippon Seiko	518	-1
Nippon Shimpan	606	-4
Nippon Steel	162	-4
Nippon Suisan	437	
NTV	12,700	300
Nippon Yusen	253	
Nissan Motor	621	
Nisshin Flour	457	-4
Nisshin Steel	152	
Nomura	700	
Olympus	1,074	10
Orient Leasing	5,440	
Pioneer	2,510	50
Renown	635	
Ricoh	897	
Sankyo	711	
Sanyo Elect	510	
Sapporo	435	
Sekisui Prefab	609	
Seven Eleven	8,500	
Sharp	1,050	
Shimadzu	518	
Shionogi	630	
Shiseido	1,040	
Sony	4,250	
Stanley	665	
S'tomo Bank	960	
S'tomo Elect	616	
S'tomo Marine	450	
S'tomo Metal	148	
Taisei Corp	290	
Taiyo Yuden	805	
Takeda	727	
TDK	4,930	
Teijin	436	
Teikoku Oil	705	
Tokyo Marine	610	
TBS	760	
Tokyo Elect Pwr	1,120	
Tokyo Gas	157	
Tokyo Sanyo	698	
Tokyo Style	720	
Tokyo Corp	299	
Toppan Print	729	
Toray	421	
Toshiba Elect	388	
TOTO	593	
Toyo Seikan	788	
Toyota Motor	1,330	
Victor	2,500	
Wacoal	770	
Yamaha	700	
Yamanouchi	1,530	
Yamazaki	670	
Yasuda Fire	278	
Yokogawa Bdge	430	

SINGAPORE

June 12	Price $	+ or —
Boustead Hldgs	2.41	
Cold Storage	3.34	
DBS	8.20	-0.1
Fraser & Neave	5.60	
Genting	6.10	0.2
Haw Par Bros	3.22	
Inchcape Bhd	2.28xa	
Keppel Shipyard	3.28	
Malay Banking	9.00	0.15
Malay Brew	6.25	
Multi Purpose	1.62	
OCBC	9.90	
OUB	4.72	
Sime Darby	3.18	
Straits S'mship	1.48	0.02
Straits Trdg	5.50	0.05
UOB	4.60	0.12

SOUTH AFRICA

June 12	Price Rand	+ or —
Abercom	2.1	
AE & CI	9.3	
Anglo Am Coal	31.5	0.5
Anglo Am Corp	24.5	
Anglo Am Gold	153.5	
Barclays Bank	16.25	0.25
Barlow Rand	14.2	
Buffels	68	
CNA Gallo	3.9	
Curry Finance	5.3	
De Beers	8.85	
Driefontein	47.25	
FS Geduld	29.5	
Gold Fields SA	49.25	
Highveld Steel	5.15	
Nedbank	15.25	
OK Bazaars	17.75	
Protea Hldgs	3.5	
Rembrandt	25.75	
Rennies	15.85	
Rust Plat	15.8	
Sage Hldgs	8.5	
SA Brews	7.45	
Smith C.G.	23.5	
Tongaat Hulett	11.5	0.1
Unisec	6	

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO
Prices at 2.30 pm June 12

Sales	Stock	High	Low	Close	Chng
[illegible]					

MONTREAL
Closing prices June 11

Sales	Stock	High	Low	Close	Chng
[illegible]					

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

LONDON

Chief price changes
(in pence unless otherwise indicated)

RISES

Adams & Gibbons	166	+12
Birmid Qualcast	84½	+4
Brown (J.)	26	+3
Carlton Comm	425	+20
Fleet Hldgs.	182	+8
Sketchley	384	+14
Thorn EMI	555	+14
Times Veneer	12½	+1½
EZ Inds.	385	+81

FALLS

Tr. 11½pc 1989	£98⁵⁄₁₆	−⁷⁄₁₆
Ex. 12pc 99–02	£107⅞	−1
Tr 2½pc I.L. 20	£85½	−⅝
Beecham	338	−7
Brit. Aero	365	−18
Ch. J. Rothschild	83	−4
Lloyds Bank	530	−8
Lucas Inds.	188	−8
Metal Box	344	−6
Owners Abroad	19	−2
Phoenix Ass.	440	−7
Plaxtons (GB)	111	−7
BP	495	−7
Shell Transp.	663	−10
Ultramar	278	−7
CRA	314	−14
MIM Hldgs.	178	−12
N. Broken Hill	137	−13
Pancontinental	71	−4
Western Mining	209	−11
Whim Creek	220	−8

Continued on Page 31

AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 29

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge Prev. Close
[illegible]										

Indices

NEW YORK — DOW JONES

	June 12	June 11	June 8	June 7	June 6	June 5	1984 High	1984 Low	Since Compilat'n High	Since Compilat'n Low
Industrials	1118.53	1115.61	1131.25	1132.44	1133.84	1124.89	[illegible]	[illegible]	[illegible]	[illegible]
Transport	[illegible]									
Utilities	[illegible]									
Trading vol 000's	[illegible]									

Ind div yield %

New York Active Stocks

Tuesday	Stocks Traded	Closing Price	Change on Day
[illegible]			

STANDARD AND POORS

Industrials	[illegible]							
Composite	[illegible]							
Ind div yield %	[illegible]							
Ind. P/E Ratio	[illegible]							
Long Gov Bond Yield	[illegible]							

N.Y.S.E. ALL COMMON

RISES AND FALLS

MONTREAL

TORONTO Composite

U.S. INDICES: CLOSING VALUES. YESTERDAY'S CANADIAN INDICES: LATEST AVAILABLE

MARKET REPORT

Gilts fall as interest rate uncertainty returns

BAe and Thorn EMI feature late

Account Dealing Dates

Option *First Declara- Dealings	tions	Last Dealings	Account Day
June 4	June 14	June 15	June 25
June 18	June 28	June 29	July 9
July 2	July 12	July 13	July 23

* "New-time" dealings may take place from 9.30 am two business days earlier.

Higher short-term interest rates in America cut short London hopes of cheaper U.S. credit and markets soon suffered from a return of uncertainty. Little trace of the optimism aroused on Monday by the economic summit call for lower rates was evident and sentiment was adversely affected by the latest turn of events in the Central American debt situation. Currently preoccupied with U.S. bond market trends, Gilt-edged stocks sustained falls ranging to 1½ points before rallying on firmer U.S. bond values late yesterday.

Gilt sales were rarely in any volume but they fell on a market initially devoid of buyers and possibly over-sensitive to dearer credit fears, although long-term rates in London money markets did harden yesterday. In the afternoon, news of the recovery in U.S. bonds produced lively trading and longer-dated Gilts reduced their losses to ½ before easing again in the after hours' trade to close nearly a point down on the day. The shorts performed similarly before ending ⅛ down. Index-linked issues, ½ lower in places, were caught up in the weakness too.

Leading shares were content to follow the downturn in Gilts. Wall Street's setback overnight put dealers on guard against possible selling but in the event little materialised. For most of a rather mundane trading session, the FT Industrial Ordinary share index ranged between six and seven points down but, reflecting late bear-closing, it rallied to close 4 points lower on the day at 834.1.

Minutes before the end of official business, the announcement that **British Aerospace** had terminated its merger discussions with **Thorn EMI** caused a flurry of excitement. BAe dropped to 348p but immediately encountered support which took the price up to 368p, a fall of 15 on balance, while Thorn EMI, depressed recently on thoughts of an expensive offer for BAe, recovered 14 to 555p.

Clearers drift lower

Latin American debt anxieties resurfaced to deter potential buyers of major clearing banks. Consequently, prices drifted lower and **Lloyds** closed 8 off at 530p, after 528p. **Barclays** slipped 4 to 468p, while **Midland**, 330p, and **NatWest**, 560p, softened 3 apiece. Elsewhere, **Royal Bank of Scotland** edged forward 2 more making a two-day improvement of 10 to 214p on speculation concerning the imminent sale of its 39.3 per cent interest in Lloyds and Scottish to Lloyds Bank for around £100m in return for a reduction in the latter's RBS stake to below the 20 per cent level. **Minster Assets** were also active and 2 better at 144p, after 146p, on rumours that Exco could be interested in acquiring the Kuwait Investment Office's near-20 per cent stake in the company. **Charterhouse J. Rothschild**, however, which recently abandoned plans to merge with Hambro Life and announced plans to form a joint company with Nikko Securities of Japan to manage U.S. pension funds, were friendless at 83p, down 4. **Phoenix** declined 7 more to 440p, after 438p, and **Commercial Union** cheapened 3 to 214p on fading hopes of a bid from Allianz, among lethargic Insurance issues.

Hunter Saphir, which distributes and markets fresh produce to major retailers including Marks and Spencer and J. Sainsbury, got off to a good start in the Unlisted Securities Market. The shares opened at 137p, compared with the offer-for-sale price of 120p, and traded busily up to 153p before closing first-time dealings at 150p. Among other Recently-issued equities, **Reuters** were quieter and finally slightly softer at 229p.

An impressive Brewery dividend season was concluded by **Arthur Guinness**. The group announced first-half profits at the top end of market estimates and an increased interim dividend, but the price eased a couple of pence to 146p reflecting the lack-lustre mood prevailing in the sector. **Grand Metropolitan**, 324p, and **Bass**, 378p gave up 4 apiece, while **Belhaven**, recently buoyed by Press comment, shed 2 to 36p.

Buildings showed only minor changes in either direction reflecting a general lack of interest. Among Contracting and Construction leaders, **Taylor Woodrow** gave up 5 to 620p and **Costain** a couple of pence to 284p, but **French Kier** were more resilient and hardened a fraction to 117p despite the loss of the £60m Iraqi road-building contract to South Korea. The absence of any fresh bid developments left **William Leech** 2 off at 148p. Timber Merchants were easier where changed with **Meyer International** 4 down at 112p and **Magnet and Southerns** 2 at 150p.

Amersham International advanced 6 more to a 1984 high of 240p—a two-day gain of 12—following favourable Press comment on the preliminary results. **ICI** drifted back to 566p before steadying to close unaltered on balance at 570p. **Brent Chemical** hardened a penny to 108p; the company is selling its U.S. industrial fabric and beverage cleaning interests to Chemed Corporation for £5.2m. Elsewhere **Laporte Industries** fell 4 to 308p and **James Halstead** 3 to 89p.

Stores subdued

Stores were inclined easier from the outset as dealers marked prices lower in the absence of any follow-through support to May retail sales. Scattered demand developed during the morning and lifted selected issues off the bottom, but conditions thereafter were soporific. Falls of 4 were common to **Marks and Spencer**, 241p, **House of Fraser**, 226p and **Burton**, 270p, while **Debenhams**, buoyed of late by revived takeover speculation, shed a couple of pence to 179p.

Moss Bros advanced 10 to 295p and **Arthur Henriques** 2 to 55p, but other second-line Stores drifted lower. **H. Samuel** reacted to late selling and closed 5 lower at 150p, with the A shares a similar amount off at 111p. **Waring and Gillow** gave up 3 at 137p, while **Home Charm** eased 2 to 151p, the latter following the proposed acquisition of Unit Sales (D.I.Y.) for £7m. By way of contrast, **Cramphorn**, a garden and pet supplies distributor based in the Home Counties, rose 1½ points to £17 in belated response to the proposed subdivision of shares and subsequent scrip issue.

Apart from the late excitement created by the British Aerospace /Thorn EMI development, leading Electricals passed a relatively drab session. **BICC** hardened a penny to 223p and **Racal** softened a few pence to 227p. **Plessey**, rumoured to be in the process of formulating a bid for **Ferranti**, held the overnight level of 218p, but the latter cheapened 5 to 667p. Elsewhere, **Microgen** advanced 15 to 565p in response to bumper interim profits, while **Mitel** found support at 540p, up 38p. **AirCall**, on the other hand, gave up 10 at 400p and **CASE** dipped 25 to 735p.

Call option activity was largely responsible for a rise of 3 to 26p in **John Brown**. Elsewhere in Engineering, **Vickers** put on 4 to 162p and **Birmid Qualcast** added the same amount at 84½p following speculative support. **F. Pratt** however, cheapened 3 to 57p on the absence of the rumoured bid from 600 Group, while falls of 4 were seen in **Belgrave Blackheath**, 132p, and **Spear and Jackson**, 154p.

Metal Box easier

Despite reporting a better-than-expected dividend increase and annual profits well at the top of market estimates, **Metal Box** traded lower with profit-taking leaving the shares 6 off at 344p, after 336p. Among other Miscellaneous Industrial leaders, **Beecham** gave up 7 at 338p awaiting tomorrow's preliminary statement. Elsewhere, **Sketchley** jumped 14 to 384p on revived takeover speculation and **Ferguson Industrial** firmed 4 to 146p in reply to the good annual results. Reflecting the strong profits recovery, **The Times Veneer** hardened 1½ to 12½p, but news of the dividend omission and £4.5m deficit left **Central and Sheerwood** a fraction easier at 9p. **Applied Computer** fell 20 to 630p and the Australian **Broken Hill Proprietary** dropped 22 to 616p with the new shares 18 easier at 394p on domestic market influences. Dealings in **Whatman Reeve Angel** were suspended at 705p pending the result of the tender offer.

Reports that Spain is set to investigate air travel arrangements currently offered by UK holiday operators with regard to international regulations unsettled **Owners Abroad**, which dipped to a 1984 low of 18p before settling 2 cheaper on balance at 19p. Although the moves should have little effect on package tour concerns, **Horizon** and **Intasun** both shed 3 to the common level of 135p; the latter has revealed a joint venture with **Ladbroke** to operate Club 18-30 holiday villages in the UK. Ladbroke closed 4 off at 211p, with the new nil-paid 8 lower at 20p premium. Elsewhere in Leisures, **Juliana's** firmed 5 to 450p following favourable comment in the wake of the annual meeting, while **A and M Hire** hardened a fraction to 17½p on the preliminary profits recovery.

Motor sectors again displayed an irregular profile. Among Distributors, second thoughts about the full-year figures clipped 8 from **Caffyns**, 138p, while **Lex Service** encountered profit-taking and eased 10 to 380p. In contrast, **Adams and Gibbon** advanced 12 to a 1984 peak of 166p on the announcement that Messrs S. Shah, K. Chaudhry and associates now control around 16 per cent of the equity. Components lacked support and **Lucas** fell 8 to 168p, while **Herman Smith** gave up 3 to 34p. An exception was provided by **Armstrong Equipment**, which hardened a couple of pence to 27p in response to comment in the Financial Times. Elsewhere, coachbuilders **Plaxtons (GB)** dipped 7 to 111p, the doubled mid-term profits being outweighed by the second-half profits warning.

Persistent speculation of an eventual offer from Mr Robert Holmes à Court prompted increased support of **Fleet Holdings** which advanced 8 more to 182p. **East Midland Allied Press "A"** firmed a couple of pence to 74p in front of tomorrow's preliminary results. **Carlton Communications** improved 20 to 425p following the increased interim profits and dividend coupled with the proposed acquisition of prop hire concern Superhire for £8.2m.

Among subdued Financials, **Robert Kitchen Taylor** were marked 12 lower to 168p following the interim profits setback, but **Henderson Administration** hardened a few pence to 395p awaiting today's annual figures.

Oils down

Leading Oils opened on an uncertain note and drifted back on moderate selling, reflecting the slight easing of tension in the Middle East conflict, but subsequently staged a minor rally which left the majority well above the day's lowest levels. **Shell** dipped to around 660p prior to closing 10 cheaper at 663p, while **BP** were finally 7 off at 498p, after 493p. **Britoil** rallied from 240p to close only 2 down at 243p. **Ultramar**, however, remained vulnerable and fell 7 more to a 1984 low of 278p.

In the onshore sector, **Carless Capel** were 5 cheaper at 223p but **Premier Consolidated Oilfields** held steady at 53p following the results and proposed scrip issue.

Saxon and **Sovereign** lost 5 apiece at 365p and 265p respectively, while **Pict Petroleum** eased 2 to 168p, the last-named despite the oil flows from the 15/21-11 well in the North Sea.

Australian oils remained under heavy pressure following a further sell-off in overnight domestic markets. **Santos** were the hardest hit and dropped 14 to 364p. **Crusader** gave up 10 at 146p and **Bridge Oil** 4 to a year's low of 146p.

Golds retreat

Another strong performance by the dollar amid renewed concern about transatlantic interest rates led to a further decline in bullion prices. This in turn brought fresh pressure to bear on the South African Gold share-market which lost ground for the fourth successive trading day. Prices were marked down at the outset and continued to ease for the rest of the session in the wake of persistent, but generally modest selling, from Johannesburg.

The Gold Mines index gave up 9.3 more to 658.3 extending the fall over the past four sessions to 41.0, while bullion closed a net $6.5 down at $371.5 an ounce, its lowest closing level since January 30.

Losses among the leading heavyweights ranged to around a full-point, as in **Hartebeest**, £57⅞, **Western Deep**, £43, and **President Steyn**, £38½. Dividends from the mines in the Gold Fields group were generally in line with market expectations and had little impact; **Vlakfontein** moved against the trend and hardened to 211p. Further consideration of the dividend omissions prompted renewed weakness in **Durban Deep**, a half-point off at £22½ and **East Rand Proprietary**, ½ cheaper at £11⅞.

Marked weakness throughout precious and base-metal markets coupled with easier domestic equities left UK Financials with widespread losses. **Consolidated Gold Fields** were a notable casualty and gave up 8 more at 555p, while **Hampton Areas** eased 3 further to 210p.

The setback on Wall Street coupled with another poor showing by precious and base-metal markets left Australians in disarray.

The sector came under heavy pressure from the outset, but provided an exceptionally firm feature in **EZ Industries** which jumped 91 to 385p following the offer from North Broken Hill to acquire the near-70 per cent not already owned. NBH dropped 13 to a year's low of 137p.

CRA dropped 14 to a 1984 low of 314p, **MIM Holdings** 12 to 178p and **Western Mining** 11 to [illegible] equally depressed with Central [illegible] 209p, after 206p. Golds were Norseman retreating 15 to 355p and **Poseidon** 13 to 262p.

FINANCIAL TIMES STOCK INDICES

	June 12	June 11	June 8	June 7	June 6	June 5	year ago
Government Secs	78.69	79.05	78.90	78.74	79.38	79.51	83.27
Fixed Interest	82.54	82.82	83.05	82.98	83.11	83.11	84.71
Industrial Ord.	834.1	838.1	831.4	833.2	846.5	840.1	724.7
Gold Mines	658.3	667.6	672.5	694.0	699.3	698.5	641.0
Ord. Div. Yield	4.72	4.70	4.74	4.74	4.67	4.70	4.41
Earnings, Yld.% (full)	10.96	10.91	11.00	11.00	10.84	10.92	8.77
P/E Ratio (net) (*)	10.95	11.00	10.91	10.91	11.07	11.01	14.13
Total bargains (Est.)	18,036	18,247	17,829	20,234	21,008	20,770	24,411
Equity turnover £m.	—	184.19	219.08	256.12	285.65	398.59	266.88
Equity bargains	—	14,694	15,130	14,059	15,615	18,085	19,436
Shares traded (ml)	—	102.1	118.6	133.0	144.9	158.7	180.5

10 am 831.0. 11 am 831.2. Noon 831.8. 1 pm 831.4. 2 pm 831.4. 3 pm 830.8.

Basis 100 Govt. Secs 8/1/56. Fixed Int. 1928. Industrial 1/7/35. Gold Mines 12/1/56. SE Activity 1974.

Latest Index 01-246 8026.

*Nil=10.47.

HIGHS AND LOWS / S.E. ACTIVITY

	1984 High	1984 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	83.77 (9/1)	77.86 (30/5)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	87.48 (14/3)	82.39 (30/5)	155.4 (28/11/47)	50.03 (31/1/75)
Ind. Ord.	922.8 (5/5)	770.3 (4/1)	922.8 (5/5/84)	49.4 (26/6/40)
Gold Mines	711.7 (9/5)	520.2 (17/1)	734.7 (15/2/83)	43.5 (26/10/71)

	June 11	June 8
—Daily Gilt Edged Bargains	152.7	146.6
Equities Bargains	96.5	85.1
Equities Value	372.5	442.8
5-day Average Gilt Edged Bargains	155.3	160.4
Equities Bargains	98.0	104.8
Equities Value	502.4	548.1

NEW HIGHS AND LOWS FOR 1984

NEW HIGHS (10)

AMERICANS (1): Esmark
CHEMICALS (1): Amersham Internatl.
STORES (1): Henriques (A.)
INDUSTRIALS (3): Elbief, NMW Computers, Wassall
MOTORS (1): Adams & Gibbon
PAPER (2): Ogilvy & Mather, Valin Pollen
PROPERTY (1): Chesterfield Props.

NEW LOWS (66)

BRITISH FUNDS (9): [illegible]
CORPORATION LOANS (1): [illegible]
AMERICANS (2): Amax, Morgan (J. P.)
CANADIANS (1): Inco
BANKS (1): Security Pacific
BUILDINGS (2): Meyer Internatl., Ruberoid
CHEMICALS (3): Ciba-Geigy, Hoechst, Yorkshire Chems.
STORES (2): Rayford Supreme, Samuel (H.) A
ELECTRICALS (4): Feedback, Motorola, Murray Electronic, Thorn EMI
ENGINEERING (1): Acrow A
INDUSTRIALS (5): Central Sheerwood, Eucalyptus Cons. Eng., Centreway Ind., Unigroup, Combined Technologies
LEISURE (2): Intasun Leisure, Owners Abroad
MOTORS (2): Plaxtons (GB), Perry (H.)
PROPERTY (1): York Mount
SHIPPING (1): Lon. O'seas Frghtrs
SOUTH AFRICANS (1): Abercom
TEXTILES (2): Carpets Internatl., Lyles (S.)
TRUSTS (7): Gen Group, Stoddard A, Caledonia Invs., F. & C. Ent. Trust, Hambros Investment Trust, Kitchen Taylor, Do. 120 Warrants, Mercantile House, Ewropean Assets
OILS (5): Bridge Oil, Oakbore Oil, Command Petrol., Ultramar, Genoa Oil
MINES (10): [illegible]

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tues June 12 1984 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 30%)	Est. P/E Ratio (Net)	Mon June 11 Index No.	Fri June 8 Index No.	Thurs June 7 Index No.	Wed June 6 Index No.	Year ago (approx.) Index No.
1 CAPITAL GOODS (204)	490.54	-0.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2 Building Materials (24)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 Contracting, Construction (32)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4 Electricals (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 Electronics (29)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6 Mechanical Engineering (62)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8 Metals and Metal Forming (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9 Motors (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10 Other Industrial Materials (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21 CONSUMER GROUP (194)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22 Brewers and Distillers (23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25 Food Manufacturing (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26 Food Retailing (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27 Health and Household Products (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29 Leisure (23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32 Newspapers, Publishing (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
33 Packaging and Paper (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Stores (46)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35 Textiles (20)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
36 Tobaccos (3)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
39 Other Consumer (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 OTHER GROUPS (86)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Chemicals (18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
44 Office Equipment (4)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Shipping and Transport (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
46 Miscellaneous (50)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 INDUSTRIAL GROUP (484)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51 Oils (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59 500 SHARE INDEX	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61 FINANCIAL GROUP (120)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Banks (6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
63 Discount Houses (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65 Insurance (Life) (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Insurance (Composite) (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67 Insurance (Brokers) (6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Merchant Banks (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 Property (53)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 Other Financial (18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Investment Trusts (106)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81 Mining Finance (4)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91 Overseas Traders (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99 ALL-SHARE INDEX (746)	498.52	-0.7	—	4.74	—	501.98	499.38	501.32	502.70	409.12
FT-SE 100 SHARE INDEX	1067.1	-0.6	1067.9	1062.3	—	1075.9	1066.6	1072.8	1087.9	0.0

(Last row column heads: Index No. / Day's Change / Day's High / Day's Low.)

FIXED INTEREST

PRICE INDICES	Tues June 12	Day's change %	Mon June 11	xd adj. today	xd adj. 1984 to date
British Government					
1 5 years	115.34	-0.10	115.45	—	5.40
2 5–15 years	125.29	-0.57	126.01	0.09	5.73
3 Over 15 years	133.51	-0.70	134.25	—	5.82
4 Irredeemables	142.52	-0.38	143.06	—	6.36
5 All stocks	124.72	-0.44	125.31	0.05	5.67
6 Debentures & Loans	103.06	-0.32	103.40	—	10.50
7 Preference	76.84	-0.10	76.91	—	3.18

AVERAGE GROSS REDEMPTION YIELDS	Tues June 12	Mon June 11	Year ago (approx.)
British Government			
1 Low Coupons 5 years	11.20	11.13	9.68
2 Low Coupons 15 years	[illegible]	[illegible]	[illegible]
3 Low Coupons 25 years	[illegible]	[illegible]	[illegible]
4 Medium Coupons 5 years	[illegible]	[illegible]	[illegible]
5 Medium Coupons 15 years	[illegible]	[illegible]	[illegible]
6 Medium Coupons 25 years	[illegible]	[illegible]	[illegible]
7 High Coupons 5 years	[illegible]	[illegible]	[illegible]
8 High Coupons 15 years	[illegible]	[illegible]	[illegible]
9 High Coupons 25 years	[illegible]	[illegible]	[illegible]
10 Irredeemables	[illegible]	[illegible]	[illegible]
11 Debs & Loans 5 years	[illegible]	[illegible]	[illegible]
12 Debs & Loans 15 years	[illegible]	[illegible]	[illegible]
13 Debs & Loans 25 years	[illegible]	[illegible]	[illegible]
14 Preference	12.84	12.83	12.11

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

EUROPEAN OPTIONS EXCHANGE

Series	Aug. Vol.	Aug. Last	Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	Stock
GOLD C $375	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	$375.10
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOTAL VOLUME IN CONTRACTS 10,161

A=Ask B=Bid C=Call P=Put

LONDON TRADED OPTIONS

Option		CALLS July	CALLS Oct.	CALLS Jan.	PUTS July	PUTS Oct.	PUTS Jan.
B.P. (*496)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cons. Gold (*554)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Courtaulds (*125)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Com. Union (*214)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
G.E.C. (*178)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Grand Met. (*324)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
I.C.I. (*570)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Land Sec. (*278)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Marks & Sp. (*245)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Shell Trans. (*663)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		CALLS Aug.	CALLS Nov.	CALLS Feb.	PUTS Aug.	PUTS Nov.	PUTS Feb.
Barclays (*469)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Imperial Gp. (*156)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
LASMO (*288)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lonrho (*129)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
P. & O. (*306)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Racal (*228)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
R.T.Z. (*599)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Vaal Reefs (*128)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		CALLS June	CALLS Sep.	CALLS Dec.	PUTS June	PUTS Sep.	PUTS Dec.
Beecham (*338)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Boots (*180)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
De Beers (*660)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Guest Keen (*177)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hanson (*217)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tesco (*185)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT SE Index (*1066)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

June 12. Total Contracts 3,605. Calls 2,388. Puts 1,217.
*Underlying security price.

OVER-THE-COUNTER

Continued from Page 30

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT LONDON SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH AND AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BEERS, WINES—Cont.

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

HOTELS—Continued

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

1984 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
45p	37p	Maclellan 20p	40p		1.6	2.1	5.9	9.0
136	44½	Macpherson (D.)	135	−1	2.25	0.1	2.4	
64p	50p	Magnolia Group	50p		2.5	3.2	7.1	4.9
44	43	Manmet Hldgs 10p	45					47.9
270	157	Man. Ship Can. £1	233	−2	5.5	3.5	3.4	12.0
95	77	Marley	79	−2	3.2	2.1	5.8	11.1
50½	40	Marling Ind. 10p	48½	+½	1.08	1.7	3.2	[illegible]
46	29	Marshall L'ey 'A'	31		1.2	3.6	5.5	[illegible]
66	54	Marshall's Univ.	58	−2	1.75	—	5.3	13.8
30	22	Martin-Black	22		—	—	—	—
£198	£88	Mathesons 7¾%	£98	+4	Q7¾%	2.3	18.2	—
378	296	Metal Box £1	344	−6	15.0	♦	6.4	♦
220	129	Metal Closures	186	−4	6.3	♦	4.8	♦
27	13	Metal Sciences 2½p	17		—	—	—	—
19	8	Metalrax Jentique	11½	−½	0.01	—	—	—
133	83	Midland Marts	88	−2	4.0	♦	6.5	♦
64½	45	Mitchell Cotts	56½	−½	3.62	1.0	8.9	15.4
29	18	Molen Grp 1p	21	−1	0.5	2.5	3.4	13.2
168	132	Morgan Crucible	157	+1	7.5	♦	6.8	♦
97	82	Moss (Robt.) 10p	95	−1	2.5	♦	3.8	♦
320	197	NMW Computers	320	+13	6.0	3.0	2.7	17.9
65	50	Nash Inds.	58		4.0	2.2	9.9	6.7
47	30	Neill & Sp'ncer 10p	36		—	—	—	15.5
70	45	New Equip 10p	78		1.15	6.5	2.3	9.4
33	16	Newman Industs.	23		—	—	—	12.9
31	16½	Do. 10pc Cm. Pf.	23		10%	—	6.2	—
66	43½	Nolton	50		1.0	2.9	2.9	17.6

INSURANCES

LEISURE

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

Diamond and Platinum

Central African

MINES—Continued

Australians

Tins

Miscellaneous

NOTES

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

OPTIONS — 3-month call rates

A selection of Options traded is given on the London Stock Exchange Report page.

"Recent Issues" and "Rights" Page 31

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £700 per annum for each security.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
1-3 St Paul's Churchyard EC4P 4DX 01-236 1833

High Income				
Gilts&Fixed Int	110.8	117.2xd	-0.9	10.24
High Inc Equity	61.6	65.5	-0.1	6.46
Capital Growth				
American Growth	94.2	100.2	-0.8	1.67
Assets & Erngs. Tt.	56.1	60.0xd	-0.3	3.90
Capital Reserve (z)	52.3	52.6	-0.1	0.80
Commodity & Engy	72.9	77.6	-0.6	3.54
General	91.7	98.1	-0.9	2.59
Japan	132.8	141.3	-0.2	0.21
UK Growth	57.9	62.3	-0.2	2.73
Acc Units	81.0	87.1	-0.3	2.73
US Emerging Co's	45.6	48.5	-0.3	0.54
Worldwide Bond	142.0	151.1xd	+0.1	3.64
Equitas Prog.	129.1	138.1xd	-0.8	3.96

Allfiem Hume
30, City Road, EC1Y 2BY. 01-628 6626

American Tech Fd	114.2	122.2	-2.2	0.20
Inc & Gwth Fd	34.6	37.0	+0.1	4.81
Pacific Fd	123.9	132.6	-1.4	0.40
Secure Income Fd	120.5	129.0	-1.1	5.27
Special Sits	150.3	160.8	-0.2	0.97
Energy Fd	210.3	225.0	-1.9	0.60
American Majors	46.8	50.0	....	3.00
Small Co's Fd	261.9	280.2	-1.3	1.70
Jap. Technology	53.3	57.0	-0.7	0.20

Allied Unit Trusts Limited (A.) (G.)
Allied Hambro Hse., Hutton, Brentwood, Essex
Brentwood (0277) 211459 & 229123

Balanced Trusts				
First Trust	131.3	141.3	-1.3	4.66
Growth & Income Tst.	86.7	91.9	-0.3	3.85
Capital Trust	158.7	168.2	-1.1	3.33
Balanced Trust	230.4	244.2xd	-1.8	4.00
Accum Trust	337.9	358.2	-2.8	3.57
Income Trusts				
High Income Trust	148.1	157.0	-0.6	5.68

[illegible]

Bridge Fund Managers (a)(c)
Regis Hse., King William St., EC4. 01-623 4951

Amer. Gen. Inc.†	50.4	54.3	....	0.73
Do. Acc†	50.5	54.6	....	0.73
Income*	85.3	91.1xd	-0.2	5.03
Capital Inc.†	86.1	92.6	....	1.47
Do. Acc.†	109.1	117.4	....	1.47
Exempt‡	199.8	213.0	....	3.08
Intl. Recovery Inc.†	37.2	40.1	....	1.12
Do. Acc.†	48.7	52.4	....	1.12

Dealing *Tues. ‡Wed. †Thur. Prices June 12, 13, 14.

Crescent Unit Tst. Mngrs. Ltd. (a)(g)
4, Melville Cres., Edinburgh 3. 031-226 3492

Cres. American	59.3	63.4	+0.2	1.34
Cres. Capital	46.8	50.0xd	-0.1	2.75
Cres. Growth & Inc.	82.2	87.9	-0.2	4.69
Cres. High. Dist.	69.1	73.9xd	-0.2	7.38
Cres. International	128.6	137.6	-0.1	1.08
Cres. Resources	25.1	26.8	-0.2	2.24
Cres. Tokyo	89.4	95.6	+0.3	0.26

For Craigmount Unit Trust see Temple Bar Unit Trust.

[illegible]

Insurances—continued

Albany Life Assurance Co Ltd
3 Darkes Lane, Potters Bar. 0707 142311

EqPenFdAcc	662.7	697.5	-3.5	—
EuroFdAcc	100.5	105.7	....	—
FxdIntAcc	415.8	437.7	-3.4	—
GtMnPnAcc	280.9	274.6	....	—
LntlManFd	259.7	273.3	-0.5	—
JapPnFdAcc	146.8	154.5	+0.9	—
AmPnFdAcc	117.3	123.5	-0.5	—
Property	244.5	157.3	....	—
MnIntPnAc	541.7	570.2	-1.8	—

Colonial Mutual Group
24 Ludgate Hill EC4P 4BD. 01-248 9861
Capital Life Assurance

Key Inv Fd	—	131.09	....	—
PcmkrInFd	—	132.31	....	—
Equity Fd	132.01	138.95	....	—
FxdIntFd	114.57	120.60	....	—
Propty Fd	109.15	114.89	....	—
Cash Fd	102.97	108.38	....	—
ManagdFd	133.49	140.51	....	—

Col Mut Life (Pension Annuities)

ManCpA/B	126.67	133.35	....	—
ManInvA/B	128.39	135.15	....	—

Commercial Union Group
St Helens, 1 Undershaft, EC3. 01-283 7500

VarAnnJune9		165.61	....	—
VarAnnJune15		36.21	....	—
Prime Series—Life				
Managed	139.6	147.0	-0.5	—
UK Equity	143.0	150.6	-0.8	—
Intl Eq	129.2	136.0	-0.2	—
Property	106.9	112.6	....	—
Fixed Int	109.5	115.3	-1.0	—
IndxLkdGt	87.4	92.1	-0.5	—
Cash	102.1	107.5	....	—
Prime Series—Pensions				
Managed	108.5	114.3	-0.4	—
UK Equity	107.0	112.7	-1.1	—
Intl Eq	103.8	109.3	+0.4	—
Property	99.2	104.5	....	—
Fixed Int	94.2	99.2	-1.1	—
IndxLkdGt	89.3	94.1	-0.5	—
Cash	98.5	103.7	....	—

Continental Life Assurance PLC
64 High St CroydonCR0 9XN 01-680 5225

Equity Acc	178.7	188.2	....	—

[illegible]

INSURANCES

[illegible]

Money Market Trust Funds

[illegible]

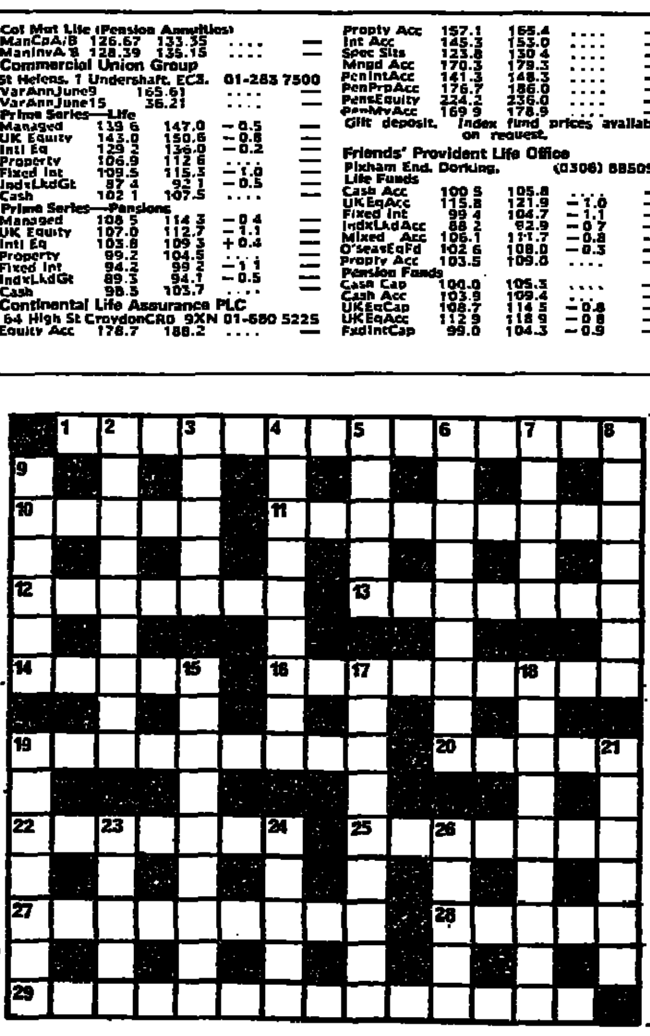
Money Market Bank Accounts

[illegible]

Offshore & Overseas—continued

[illegible]

F.T. CROSSWORD PUZZLE No. 5,440



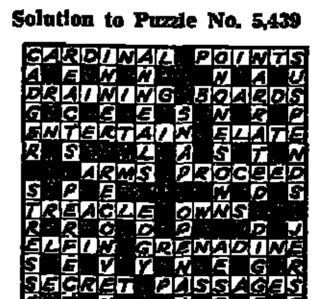
ACROSS

1 9 activities involving traps (9, 5)
10 A wader missing the West could be included in this (5)
11 Free money-lender. English, stay about—it hurts (4, 5)
12 Selling sort of seat-belts? (7)
13 9 that's staggering (7)
14 River tax, both cut short, for praise (5)
16 They enable those below to survive (9)
19 One tar raved wildly, got to the point (7, 2)
20 Moneybag for lisper in Scotland (5)
22 9 having a roll of land (7)
25 9s s-settle in the island (7)
27 Check the decoy to set up again (9)
28 9 from the screen (5)
29 9 who denies others enjoyment (3, 2, 3, 6)

DOWN

2 9 who's a revolutionary compiler? (3, 6)
3 You, old, a good person for baking (5)
4 and 21 9 comes after single owner for mowing? (3, 3, 3, 3, 3)
5 Kind of sound, alas, distorted after bit of noise (5)
6 Stir hoop right, spinning. It travels by circulation (5-4)
7 Grass resting-place (5)
8 Without issue, here's a number of domains (7)
9 About this number! (6)
15 Cohabit with licence, or without it? (4, 2, 3)
17 Constellation's network (9)
18 If tutored incorrectly you require courage to stay (9)
19 Trade it off, prepared (7)
21 See 4.
23 Make a mess of a note, feeling sorry (5)
24 Oar broken by companion fish? (5)
26 Flower in garden, I pull up (5)

Solution to Puzzle No. 5,439



INSURANCE & OVERSEAS MANAGED FUNDS

Barclays Life Ass. - Cont.

Income Accum	132 6	139 6	0 5	—
Do Initial	126 0	132 7	0 5	—
Universal Tec Acc	83 8	88 3	-0 8	—
Do Initial	82 4	86 8	0 7	—
Man Pens Accum	262 0	274 8	-0 7	—
Do Initial	210 8	221 9	0 7	—
Gilt-Edg Pens Accum	214 7	226 1	2 3	—
Do Initial	166 7	175 5	1 9	—
Money Pens Accum	198 4	208 9	-0 3	—
Do Initial	156 2	164 5	-0 1	—

Black Horse Life Ass. Co. Ltd.
346A High St., Chatham 0634 405161

Black Horse Man. Fd		266 76		—
Managed Inv Fd	165 46	174 17		—
Property Fd	155 35	163 53		—
Fixed Interest Fd	145 67	153 34		—
Cash Fd	140 77	148.18		—
Income Fd	194 39	204 63		—
Extra Income Fd	179 46	188 92		—
Worldwide Growth Fd	212 99	224 20		—
Balanced Fd	188 74	198 68		—
Smlr Co's & Recv Fd	217 11	228 54		—
Int. Technology Fd	237 40	249 90		—
Nth Amer & Gen Fd	144 81	152 44		—
Energy Int Fd	106 51	112 12		—
Pacific Basin Fund	148 22	156.03		—

British National Life Assurance Co. Ltd.
Harlands Rd, Haywards Heath. 0444 414111

Managed	119 6	125 9		—
Property	124.1	130.6		—
Equity	128.5	135.2		—
International	131.8	138.7		—
Fixed Interest	106.4	112.0		—
Deposit	103 0	108 4		—
Managed Pen. Cap.	118.1	124.3		—
Property Pens. Cap.	124.0	130.5		—
Equity Pens. Cap	121 7	128.1		—
Intnl. Pens. Cap.	133.9	140 9		—
Fixed Int. Pens. Cap.	101.5	106.8		—
Deposit Pens. Cap.	98.9	104.1		—

Canada Life Group
2-6, High St., Potters Bar, Herts. P. Bar 51122

Equity Gth June 1		104.2		—
Retmt Fed June 6	274.6			—

G.T. Management Ltd.
16 Finsbury Circus, Lond. EC2M 7DJ 01-628 8131

G.T. Plan Bond Fund	125 2	131 8	0 3	—
GT Pln High Yld Fnd	129 6	136 5	-0 1	—
GT Plan Far East Fnd	124 3	130 9	0.8	—
GT Plan N. Am Fd	117 5	123 7	-0 3	—
GT Pln UK&G E Fnd	152 2	160 3	-0 1	—
GT Pln Wrldwde Fnd	148 2	156 1	-0 5	—
GT Pension Bnd Fnd	136 7	143 9	0 4	—
GT Pen High Yld Fd	149 7	157 6	2 5	—
GT Pen Far East Fd	154 4	162 6	-0 3	—
GT Pen N Am Fd	174 6	183 8	-0 5	—
Pen UK and General	177 8	187 2	1 4	—
GT Pen Worldwide Fd	159 2	167 6	-0 6	—

Prices for Accum Units only

Assicurazioni GENERALI S.p.A.
117, Fenchurch St., EC3M 5DY 01-488 0733

Intl Managed Bond	172 3	181 4		—

General Portfolio Life Ins. PLC
Crossbrook St., Cheshunt, Herts. Waltham X 31971

Portfolio Fd Acc		265 6		—
Portfolio Fd Inst		213.3		—

Continued on adjacent Page

Gresham Unit Ass. Ltd.
2-6, Prince of Wales Rd B'mouth 0202 767655

Managed Fd	282.3	297.5		—
Money Fd	159 9	168 3		—
Equity Fd	239 5	252.4		—
Fixed Int. Fd	118.0	124.3		—
Property Fd	178.2	187.8		—
Managed Pen. Fd	272.1	286.7		—
Equity Pension Fd	171.2	180.4		—
Fixed Int. Pen. Fd	167 5	176.5		—
High Yield Pen. Fd	165 7	174 6		—
Money Pension Fd	134 4	141.5		—
Property Pension Fd	132 9	140 0		—

Gresham/Framlington

American & Gen. Fd	224.5	236 6	+1 0	—
Income Fd	212.7	224 1	-1 1	—
Int'l Growth Fd	257 3	271.1		—
Capital Fund	221 6	233.5	-0.3	—
Recovery Fund	161.2	169 9	-0 3	—
Japan & Gen Fd	94.3	99 4	-0 4	—

Growth & Sec. Life Ass. Soc. Ltd.
48, London Fruit Exchange, E1 6EU 01-377 1122

OFFSHORE AND OVERSEAS

COMMODITIES AND AGRICULTURE

Milk production quota draft rules criticised

BY RICHARD MOONEY

MR MICHAEL JOPLING, the UK Agriculture Minister, unleashed a wave of criticism against himself yesterday when he published draft regulations for the operation in Britain of the European Economic Community milk production quota system agreed by Community farm ministers in Brussels at the end of March.

The regulations include details of the special circumstances which will qualify some producers for extra quota. There are six headings.

They are: natural disaster; accidental destruction of fodder or farm buildings; disease; compulsory appropriation of fodder land; ill-health of the producer, and theft or accidental loss of dairy stock.

Producers whose dairy output in the 1983 base year was reduced by one of these will be able to apply for extra quota.

Mr Jopling has further angered the National Farmers' Union, however, by ignoring its claims that variations in individual producers' output due to the weather should also be taken into account.

Sir Richard Butler, NFU president, yesterday said: "I believe the minister must think again on this point. His current interpretation of the rules will create further hardship and this must be alleviated."

He criticised what he called the arbitrary and indiscriminate way in which quotas are being applied. He said this could have an intolerable impact on many individual farms.

"Most dairy farmers did not want a quota system, but once it was applied all farmers have demanded that the rules must be drawn up and administered in a fair way."

Basic quotas will be 9 per cent less than 1983 production. Farmers who went into milk between January 2 and March 31 last year will be based on April 1 1983-March 31 1984 output minus 9 per cent. Those who started between April 1 1983 and March 31 1984 will have quotas based on annualised average monthly production up to March 31 1984 minus 9 per cent. Those who started after March 31 1984 will be considered individually.

Patrick Knight in Sao Paulo looks at attempts to reconcile the irreconcilable

Brazil's soya exports ruled by domestic need

GOVERNMENT RULES for export of Brazil's soya have been altered 10 times since the start of the year as the authorities have tried to reconcile two irreconcilable aims:

● The first is to earn the maximum from exports of beans and oil at record prices now pertaining in Chicago.

● The second is the anxiety to keep the price of soya oil, which comprises 95 per cent of all cooking oil used in Brazil, from rising too sharply.

This is almost impossible in a year when the harvest is at least 1m tonnes less than the 16m tonnes hoped for at the turn of the year and when internal prices of oil are, at least officially, 35 per cent below export prices.

The present position is that 80 per cent of the amount of oil sold last year—1.06m tonnes—can be sold this year but only 60 per cent of it before July 31.

Exactly the same amount of beans as last year, 1,295m tonnes, can be exported, again with restrictions on timing. There are no restrictions on exports of soya meal, the price of which is below last year's.

About 7m tonnes of beans are expected to be exported, compared with 8.5m tonnes last year. As of last week, Brazil had sold between 500,000 tonnes and 750,000 tonnes of beans and about 300,000 tonnes had actually left the country.

Soya earnings this year are expected to total $2.95bn (£2.1bn) compared with $2.56bn last year. Meal is expected to earn $1.85bn, the same as last year, oil $890m compared with $450m in 1982 and beans $460m compared with $330m last year.

Though bean and oil prices have been very high in recent weeks, the shortage is not sufficient to prevent prices from responding to news that, for example, plantings in the U.S. are proceeding well.

If Brazil were to flood the market with all the soya it could ship in the next few weeks, prices could well decline sharply. They are already falling away from early May highs, so temptation for traders to sell now is strong.

Government intervention started in February, when the export department of the Bank of Brazil (Cacex) suspended all sales for a period. It was felt prices were too low, considering small stocks available worldwide. Traders were thought to believe Brazil's financial difficulties would force dealers to sell at whatever prices they could obtain because dollars were desperately needed to pay anxious bankers.

The price rose and Brazil opened its exports once again. Since then, as a real shortage has become apparent, the price has risen fast. Oil now stands at more than 100 per cent above its level 12 months ago.

As expected, poor quality seed available for secondary planting, a fall in fertiliser use, and dry weather in the south all contributed to cutting this year's crop and to reducing levels of productivity from last year's 1,725 kg per hectare to an expected 1,500 kg to 1,600 kg—about the average for the past five years.

The Government is doing its best to ensure that the rise in the price of soya oil is not passed on to the Brazilian consumer. Of the total 2.2m tonnes to 2.3m tonnes of oil produced, 1.4m tonnes are consumed in Brazil.

The price paid to the industry is theoretically controlled by the Government for it is at this point its contribution to the consumer price index is calculated.

Wholesalers, however, are not prepared to sell it at this price, which is 35 per cent below the export price. To obtain their deliveries supermarket operators are paying more under the counter.

One effect of this is that multinational companies complain they are being driven from the home market. They have decided they can neither resort to kickbacks nor afford to sell at the official price.

Anderson Clayton, Sanbra and Cargill, responsible last year for about 20 per cent of the soya oil sold in Brazil, expect their market share will fall to 5 per cent this year.

Because of Brazil's realistic exchange rate policy high earnings are rewarding farmers and crushers well this year. Because of high profits the imposition of an export tax has been suggested as a device for diverting more soya to the home market.

At this stage in the harvest, however, with more than half the soya already sold and more than a quarter of it shipped, the imposition of such a tax, which would have to be retroactive to be equitable, would be difficult to implement.

The slight reduction in the crop and the fall in earnings from the maximum $3.5bn hoped for at one time are not thought to imply in any way that soya farmers will be deterred from planting again this year.

Following last year's good prices farmers are well capitalised. Except for parts of Parana and Rio Grande do Sul, where there has been some switching back to cattle-raising, soya should again gain ground on maize when planting starts.

The total area planted to soya last year was 9.25m hectares, a far cry from the 1.32m hectares of 1970 or even the 6.42m hectares of 1976.

Sharp fall in copper values

COPPER VALUES fell sharply on the London Metal Exchange yesterday reflecting renewed weakness in precious metals and U.S. futures. The cash higher grade quotation closed £24.50 down at £974.50 a tonne and the three-month price slipped to a 3½-month low of £995 at one stage.

Other base metals followed copper's lead with cash zinc losing £13 to £696 a tonne and lead, which has recently been the firmest LME market, ending £4.50 down at £342 a tonne for cash. Aluminium closed £4 lower on the day at £904.50 a tonne in the cash position.

● BRAZIL'S 1984-85 coffee crop is forecast by the Brazilian Coffee Institute at 25.4m bags, down from the 27.1m 60kg-bag prediction announced earlier this year by Sr Octavio Rainho, the Institute's president.

Brokers and exporters had predicted the 1984-85 coffee year crop would be about 25m bags. The Institute said a 10 per cent revision to the first estimate was normal.

● FISH-OIL stocks, currently low, point to a fall in world fish-oil exports in April-September this year, Oil World, the Hamburg-based newsletter, said.

At the start of April fish-oil stocks in eight principal exporting countries totalled 132,000 tonnes, 21 per cent below last year's level and the lowest for many years.

Fish-oil exports are likely to drop by 10 per cent in April-September even if output continues to rise in Iceland, South Africa, Chile and Peru and a reasonable production level is achieved in Japan and the U.S., it said.

● MEAT and poultry output by the Soviet Union rose by 9 per cent in the January-May period, compared with the first five months of last year, Pravda, the Communist Party daily newspaper, said.

Monsoon boosts expectation of bumper crops in India

INDIA'S South-west Monsoon is making good progress, boosting expectations of another bumper harvest in the 1984-85 season starting July 1, the Agriculture Ministry said in New Delhi yesterday.

It said monsoon rains which hit Kerala, a southern state, early this month have advanced into the rest of southern, eastern and north-eastern India and parts of India's south-western states.

Farmers have started planting kharif (autumn) crops. Arrangements are being made to distribute a large quantity of high quality seeds, it said.

The Agriculture Ministry said about 25m hectares will be sown with high-yielding varieties of rice seeds for the 1984-85 season, up from 22m this year, and more quality seeds will be available for coarse grains such as barley, corn, millet and sorghum.

Reuter

International sugar agreement negotiations reopen

BY ANTHONY McDERMOTT IN GENEVA

THE LATEST round of talks to prepare a new International Sugar Agreement (ISA) opened yesterday with determination to overcome difficulties met at the last sessions, in September.

The conference is much aware the ISA expires at the end of this year. This conference is due to last until June 29 but could be protracted for a further fortnight.

Since the last meeting it would seem the principle behind the draft framework of a new ISA has been established though the figures have not.

The 1977 agreement relied on export quotas for price and market control. The new draft agreement depends on an intricate three-tier process of "supply withdrawal," that is, stockpiling according to export levels, which is in turn dependent on sugar-price fluctuations.

Yesterday at a press conference Mr William Miller, executive director of the International Sugar Organisation, said delegates to the new talks had decided definitely and firmly to finish now.

The new framwork is based on the annual broad availability for export of between 20m tonnes and 21m tonnes of raw sugar. Once allowance has been made for small exporters and non-members of the past and potential agreement, however, this could come down by about 2m tonnes.

Under the proposed agreement there would be three trigger prices at which first the top 10 exporters, then the next six and then the rest would be forced in effect to stockpile ("withdraw") their surplus resources.

Mr Miller said the major advantage was that there were present all main parties, especially the European Economic Community, which did not belong to the last agreement. He none the less identified the main problems to be the following:

● The reference points, or, in other words, the price levels, which would set off the three different layers of market withdrawal measures.

● The special sugar-trade relation which Cuba has with the Soviet Union and other Communist countries — on this Australia and the European Economic Community have been particularly tough.

● The level of overall stocks which might be held at the secondary level—at present the argument lies between stocks as high as 6m tonnes and as low as 3.5m tonnes.

● The financing of the stocks to be held.

● The pace at which stocks held by the top 10 as opposed to those of the next level of six producers should be reintroduced to the market.

PRICE CHANGES

In tonnes unless stated otherwise	June 12 1984	+ or —	Month ago
Metals			
Aluminium	£1100		£1100
Free Mkt	$1285/1315	—65	$1280/1320
Copper			
Cash h Grade	£974.5	—24.5	£1021.75
3 mths	£995.75	—24.5	£1028.75
Cash Cathode	£978	—25.5	£1021.75
3 mths	£993	—23.5	£1034.5
Gold troy oz	$371.50	—6.50	$375
Lead Cash	£342	—4.5	£350
3 mths	£341.75	—6.0	£325.25
Nickel	£5097		£5095
Free Mkt	215/235c		212/222c
Palladium oz	$160.00	—1.50	$154.50
Platinum oz	$378.00	—8.50	$386
Quicksilver†	$285/305		$500/515
Silver troy oz	626.00p	—18.85	637.90p
3 mths	640.35p	—19.45	652.40p
Tin cash	£9147.5	—12.5	£9125
3 months	£9076.5	+4	£9027.5
Tungsten	$84.14		$83.51
Wolfram 22.04lb	$85/89		$85/89
Zinc	£696	—13	£698.5
3mths	£645.75	—14.75	£665.25
Producers	$1050/1090		$1050/109[illegible]

	June 12 1984	+ or —	Month ago
Oils			
Coconut (Phil)	$1340		$1585
Groundnut	[illegible]		
Linseed Crude	[illegible]		
Palm Malayan	[illegible]		
Seeds			
Copra Phil	$830x		$800
Soyabean (U.S.)	$310		$346.5
Grains			
Barley Fut. Sep	£106.50		£106.10
Maize	£131.50		£147.00
Wheat Fut. Sep	£107.45		£126.55
No2 Hard Wint	[illegible]		
Other commodities			
Cocoa ship't*	£1980.5	+9.00	£2017
Futures Sep	£1915.5	+9.00	£1951.5
Coffee Ft. Sep	£2252.5	—28.5	£2328
Cotton A index	84.40c	—0.75	89.10c
Gas Oil July	$241.00	—1.75	$243.5
Rubber (kilo)	65.00	+0.50	72.5p
Sugar (raw)	£108.25x	—0.25	£106
Woolt'ps 64s	475p kilo		475p kilo

‡ Unquoted. v July. y July-Aug. x June-July. † Per 75 lb flask. * Ghana cocoa. n Nominal. c Cents per pound.

LONDON OIL

After opening around unchanged, prices drifted a shade lower in line with softer physicals. The market fell more sharply on the re-opening due to heavy trade selling. It then remained weak through the rest of the day, reports Premier Man.

SPOT PRICES

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)		
Arabian Light	28.20-28.30	—.09
Dubai Fateh	28.05-28.15	—.03
Arab Heavy	27.00-27.20	—.05
North Sea (Forties)	29.30-29.35	—.12
North Sea (Brent)	29.40-29.50	—.3
African (Bonny Li'ht)	29.80	—.03

PRODUCTS—North West Europe ($ per tonne)

Premium gasoline	273-276	—1.5
Gas Oil	237-241	—3.5
Heavy fuel oil	178-181	—2

GAS OIL FUTURES

Month	Yest'day's close	+ or —	Business Done
	$ U.S. per tonne		
June	240.50	—2.00	242.75-40.50
July	241.00	—1.75	243.00-40.50
Aug.	242.75	—2.00	244.75-42.50
Sept.	244.75	—2.00	246.75-44.50
Oct.	247.25	—2.25	248.75-47.25
Nov.	250.25	—1.75	251.00-50.00
Dec.	252.25	—0.25	255.50-52.50
Jan.	252.50	—0.50	252.50-52.50
Feb.	253.75	—0.75	—

Turnover: 2,197 (1,422) lots of 100 tonnes.

GOLD MARKETS

Gold fell $6½ an ounce from Monday's close in the London bullion market yesterday to finish at $371¼-371¾, its lowest closing level since January this year. The metal opened at $375¼-375¾ as European and Far Eastern markets displayed a steadier tone. There was little activity until after the afternoon fixing when heavy liquidation out of New York, prompted by a stronger dollar, pushed it to a low of $370-370½.

In Frankfurt the 12½ kilo bar was fixed at DM 32,870 per kilo ($376.02 per ounce) against DM 33,720 ($388.96) previously and closed at $374¾-375¼.

In Luxembourg the dollar per ounce equivalent of the 12½ kilo bar was $376.15 from $389.0.

In Paris the 12½ kilo bar was fixed at FFr 101,000 per kilo ($375.65 per ounce) in the afternoon compared with FFr 101,000 ($375.93) in the morning and FFr 103,500 ($388.48) on Friday afternoon.

In Zurich gold closed at $374¾-375¼.

LONDON FUTURES

Month	Yest'days close	+ or —	Business Done
	$ per troy ounce		
June	—	—	376.00-76.00
Aug	378.80-78.90	—8.55	382.20-78.50
Oct	386.50-87.00	—8.50	—
Dec	394.40-94.50	—8.50	398.00-96.50
Feb.	403.50-04.00	—9.30	—
April	410.50-12.00	—9.45	—

Turnover: 424 (147) lots of 100 troy ounces.

	June 12		June 11	
Gold Bullion (fine ounce)				
Close	$371¼-371¾	(£268⅛-269)	$377¾-378¼	(£271¼-271¾)
Opening	$375¼-375¾	(£270½-271)	$383¼-383¾	(£274¾-275¼)
Morning fixing	$375.25	(£270.743)	$383.6	(£274.726)
Afternoon fixing	$375	(£270.212)	$382.50	(£273.899)

Gold and Platinum Coins June 12

Krugrnd	$383-383¾	(£276¾-277¼)	King Sov	$88½-90	(£64-65)
½ Krug.	$197½-198¼	(£142¾-143¼)	Victoria Sov	$88½-90	(£64-65)
¼ Krug.	$100¾-101½	(£72¾-73¼)	French 20s	$72½-74½	(£52½-53¾)
1/10 Krug.	$41¼-42	(£29¾-30¼)	50 Pesos Mex	$462½-464½	(£334¼-335¾)
Mapleleaf	$383¾-383½	(£276¾-277¼)	100 Cor. Aust	$366-369	(£264⅛-266¼)
New Sov.	$87½-89¼	(£63¼-64½)	$20 Eagles	$550-560	(£397⅛-404¾)
½ New Sov.	$52½-53½	(£38-38½)	Noble (Plat.)	$383⅞-395	(£281½-284¼)

EUROPEAN MARKETS

ROTTERDAM, June 12.

Wheat—(U.S. $ per tonne). U.S. Two Soft Red Winter June 20/July 20 150.50, Aug 153, Sept 155.50, Oct 158.50. U.S. Two Northern Spring 14 per cent Protein June 181, July 179, Aug 175, Sept 174, Oct 177, Nov 179. U.S. Three Hard Amber Durum July 185.25, Aug 183, Sept 180, Oct 182.50, Nov 185.75. Canadian One Western Amber Durum June 200, July 197.50, Nov 202.

MAIZE—(U.S. $ per tonne). U.S. Three Yellow. Afloat 160.50, June 161, July 160, Aug 161, Sept 155, Oct/Dec 138, Jan/March 144, sellers. Argentine Plate, Afloat 169, June 165, Mid June/Mid July 166, July 168, sellers.

Soyameal—(U.S. $ per tonne). 44 per cent afloat 198, June 203, July 203, Aug 207, Sept 207, Oct 207, Nov/March 209 sellers. Pellets Brazil June 198, July 200, Aug 204, Sept 208, Oct 214, Oct/Dec 219 sellers. Pellets Argentine afloat 197, June 195, July 195, Aug 199, Sept 201, Oct 205, Oct/Dec 205 sellers.

PARIS, June 12

Cocoa—(FFr per tonne). Sept 2293/2294; Dec 2105/2112; March 2045 bid; May 2060 bid; July 2070 bid; Sept 2070 bid.

Sugar—(FFr per 10 0tonnes). Aug 1404/1405; Oct 1422/1425; Dec 1505/1520; March 1641/1644; May 1700/1715, Aug 1776/1795.

BRITISH COMMODITY PRICES

BASE METALS

BASE-METAL PRICES fell sharply on the London Metal Exchange, reflecting the renewed weakness in precious metals and fears of higher interest rates.

COPPER

TIN

LEAD

ZINC

ALUMINIUM

NICKEL

SILVER

WEEKLY METALS

COCOA

ICCO indicator prices (U.S. cents per pound): daily price for June 12: 114.13 (114.54); five-day average for June 13: 116.38 (116.98).

COFFEE

GRAINS

HIDES

RUBBER

PHYSICALS — The London market opened slightly steadier, attracted little follow through interest throughout the day and closed dull, reports Lewis and Peat.

SOYABEAN MEAL

SUGAR

PIGMEAT

POTATOES

COTTON

MEAT/FISH

AMERICAN MARKETS

NEW YORK

CHICAGO

INDICES

FINANCIAL TIMES

June 11	June 8	M'th ago	Year ago
305.76	306.78	312.08	269.53

(Base: July 1 1952=100)

REUTERS

June 12	June 11	M'th ago	Year ago
1941.7	1947.7	1998.8	1841.9

(Base: September 18 1931=100)

MOODY'S

June 11	June 8	M'th ago	Year ago
1066.1	1066.5	1066.6	1046.2

(Base: December 31 1931=100)

DOW JONES

Dow Jones	June 11	June 8	Month ago	Year ago
Spot	137.40	138.99	138.29	144.41
Fu's	137.31	138.99	139.29	144.42

(Base: December 31 1974=100)

COVENT GARDEN

WOOL FUTURES

JUTE

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar firm on high rates

The dollar continued to improve in currency markets yesterday, helped by firmer Euro-dollar interest rates. Early trading saw the dollar consolidate Monday's gains amid fears that the U.S. Federal Reserve may move to tighten credit policies. However overnight Fed funds opened below 11 per cent, prompting a brief sell off. This attracted quite vigorous short covering and the dollar resumed its upward trend.

There was little clear consensus as to how the dollar would perform over the rest of the week with many U.S. economic statistics due for release. These could dictate market sentiment in either direction although there appeared to be a preference to remain in dollars rather than run short.

The dollar closed at DM 2.7250 against the D-mark up from DM 2.7140 on Monday and SwFr 2.2790 compared with SwFr 2.2640. It was also higher against the yen at Y232.65 from Y231.85 and FFr 8.3850 compared with FFr 8.3350. On Bank of England figures, the dollar's trade weighted index rose to 131.0 from 130.4.

STERLING — Trading range against the dollar in 1984 is 1.4905 to 1.3865. May average 1.3903. Trade weighted index 79.5 at the close, noon and opening and compared with 79.6 on Monday and 82.5 six months ago.

Sterling lost ground against the dollar but improved against its European partners. It closed at $1.3825 against the dollar down 70 points from Monday and only 20 points above its record closing low established last month. Against the D-Mark it improved to DM 3.7725 from DM 3.7675 and SwFr 3.1525 compared with SwFr 3.1450. It was also higher against the French franc at FFr 11.60 from FFr 11.58 but eased a little against the Japanese yen to Y321.25 from Y321.75.

D-MARK — Trading range against the dollar in 1984 is 2.8425 to 2.5535. May average 2.7465. Trade weighted index 126.0 against 124.4 six months ago.

The dollar was firmer against the D-mark at yesterday's fixing in Frankfurt, rising to DM 2.7187 from DM 2.6942 on Friday and the Bundesbank sold $14.1m at the fixing. Higher Euro-dollar interest rates accounted for the rise from an opening level of DM 2.7150 while the D-mark suffered from the continuing strike by West German metal workers. Sterling was also higher at DM 3.7650 from DM 3.7620. Within the EMS the Belgian franc was unchanged at DM 4.8980 per BFr 100 while the French franc improved to DM 32.520 per FFr 100 from DM 32.485. The Dutch guilder was also firmer at DM 88.695 per Fl 100 compared with DM 88.670. Elsewhere the Swiss franc eased slightly to DM 1.1995 from DM 1.1996.

DUTCH GUILDER — Trading range against the dollar in 1984 is 3.1906 to 2.8790. Trade weighted index 115.2 against 114.5 six months ago.

The Dutch guilder lost ground to a strong dollar at yesterday's fixing in Amsterdam. The dollar rose to Fl 3.0650 from Fl 3.0390. Markets had been closed on Monday for Whitsun. The pound also managed to improve, pulled up by the dollar's strength to Fl 4.2430 from Fl 4.2390. Within the EMS the D-mark eased to Fl 1.1275 from Fl 1.1279 while the French franc was higher at Fl 36.68 per FFr 100 from Fl 36.66. Attention remained focussed on the performance of the dollar in the face of rising Euro-dollar interest rates.

£ in New York (latest)

	June 12	Prev. close
Spot	$1.3840-3850	$1.3865-3875
1 month	0.25-0.28 dis	0.25-0.35 dis
3 months	0.81-0.85 dis	0.80-0.82 dis
12 months	3.90-4.00 dis	3.80-3.85 dis

£ forward rates are quoted in U.S. cents discount.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU June 12	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc ...	44.9008	45.5641	+1.48	+1.43	±1.5447
Danish Krone ...	8.14104	8.20816	+0.82	+0.69	±1.6425
German D-Mark	2.24184	2.23317	−0.39	−0.44	±1.0642
French Franc ...	6.87456	6.86799	−0.10	−0.15	±1.4052
Dutch Guilder ...	2.52595	2.51799	−0.32	−0.37	±1.4964
Irish Punt ...	0.72569	0.730249	+0.63	+0.58	±1.6699
Italian Lira ...	1403.49	1384.59	−1.34	−1.34	±4.1505

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

THE POUND SPOT AND FORWARD

June 12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.3795-1.3880	1.3820-1.3830	0.25-0.29c dis	−2.35	0.80-0.84dis	−2.37
Canada	1.7900-1.8050	1.7900-1.7910	0.35-0.45c dis	−2.66	1.12-1.23ds	−2.61
Nethlnd.	4.23½-4.28½	4.24½-4.25½	1⅛-1c pm	3.35	3½-3pm	3.06
Belgium	76.55-76.95	76.70-76.80	14-20c dis	−2.66	44-63ds	−2.53
Denmark	13.80-13.86½	13.85½-13.86½	1.90-2.90ore dis	−2.08	3.55-4.55ds	−1.18
Ireland	1.2300-1.2345	1.2320-1.2330	0.26-0.35p dis	−2.97	0.85-0.97ds	−2.95
W. Ger.	3.75½-3.78	3.76½-3.77½	1¼-1pf pm	3.58	3½-3pm	3.38
Portugal	193.45-194.70	193.50-194.00	135-180c dis	−9.75	320-795ds	−11.51
Spain	212.00-213.20	212.50-212.70	115-140c dis	−7.20	345-385ds	−6.87
Italy	2,327½-2,338	2,332-2,334	10-13lire dis	−5.91	32-35ds	−5.74
Norway	10.74-10.76½	10.75-10.76	3.05-4.00ore dis	−3.93	8.85-9.85ds	−3.38
France	11.55½-11.60½	11.59½-11.60½	3-3¾c dis	−3.49	11-12½ds	−3.98
Sweden	11.16-11.19½	11.17½-11.18½	2.15-3.10ore dis	−2.82	5.75-6.80ds	−2.24
Japan	320¼-322½	320½-321½	0.85-0.80y pm	3.08	2.45-2.35pm	2.99
Austria	26.39-26.50	26.45-26.50	6½-4½gro pm	2.44	17-12½pm	2.23
Switz.	3.13¼-3.16	3.14¼-3.15¼	1½-1¼c pm	5.71	4½-4½pm	5.47

Belgian rate is for convertible francs. Financial franc 77.85-77.95. Six-month forward dollar 1.82-1.87c dis, 12-month 3.87-3.97c dis.

THE DOLLAR SPOT AND FORWARD

June 12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.3795-1.3880	1.3820-1.3830	0.25-0.29c dis	−2.35	0.80-0.84ds	−2.37
Ireland†	1.1205-1.1275	1.1210-1.1220	0.08-0.03c pm	−0.28	0.18-0.10pm	0.50
Canada	1.3000-1.3025	1.3010-1.3015	0.02-0.04c dis	−0.28	0.02-0.04ds	−0.09
Nethlnd.	3.0580-3.0755	3.0735-3.0755	1.47-1.37c pm	5.57	4.20-4.05pm	5.39
Belgium	55.35-55.70	55.61-55.66	par-1c dis	−0.11	1pm-1dis	—
Denmark	9.96½-10.02	10.01¼-10.01¾	¼ore pm-par	0.30	3¼-2¾pm	1.20
W. Ger.	2.7050-2.7310	2.7245-2.7255	1.39-1.34pf pm	6.03	3.94-3.89pm	5.77
Portugal	140.00-141.10	140.60-141.10	par-100c dis	−4.28	50-350ds	−5.70
Spain	153.55-154.20	153.95-154.05	55-70c dis	−4.88	160-190ds	−4.56
Italy	1,682½-1,690½	1,687½-1,688½	5¼-5¾lire dis	−3.92	14-15ds	−3.34
Norway	7.7570-7.7800	7.7725-7.7775	0.75-1.25ore dis	−1.55	1.70-2.20ds	−1.00
France	8.3400-8.3900	8.3825-8.3875	0.60-0.90c dis	−1.08	3.00-3.50ds	−1.56
Sweden	8.0640-8.0825	8.0750-8.0800	0.05-0.55ore dis	−0.45	0.55-0.05pm	0.15
Japan	231.75-232.80	232.60-232.70	1.07-1.06y pm	5.48	3.13-3.08pm	5.36
Austria	19.05-19.17	19.16-19.17	8.00-7.50gro pm	4.88	23.50-21.50pm	4.72
Switz.	2.2570-2.2800	2.2785-2.2795	1.55-1.45c pm	7.85	4.42-4.32pm	7.72

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 56.32-56.37.

OTHER CURRENCIES

June 12	£	$		£ Note Rates
Argentina Peso	64.02-64.16	46.18-46.24	Austria	26.30-26.60
Australia Dollar	1.5455-1.5475	1.1180-1.1185	Belgium	77.50-78.40
Brazil Cruzeiro	2,243.3-2,254.4	1,618-1,626	Denmark	13.75-13.89
Finland Marka	8.0045-8.0270	5.8026-5.8076	France	11.51-11.62
Greek Drachma	149.55-149.95	108.00-108.30	Germany	3.74½-3.79½
Hong Kong Dollar	10.821-10.8385	7.8130-7.8150	Italy	2325-2350
Iran Rial	122.75*	87.90*	Japan	320-325
Kuwait Dinar (KD)	0.41135-0.41185	0.2967-0.2968	Netherlands	4.22¼-4.26¼
Luxembourg Fr.	76.70-76.80	55.61-55.66	Norway	10.70-10.81
Malaysia Dollar	3.2020-3.2095	2.3140-2.3155	Portugal	190-197
New Zealand Dlr.	2.1375-2.1425	1.5465-1.5485	Spain	206¾-215¼
Saudi Arab. Riyal	4.8665-4.8715	3.5100-3.5110	Sweden	11.13-11.24
Singapore Dollar	2.9265-2.9340	2.1145-2.1160	Switzerland	3.12-3.15
Sth African Rand	1.8015-1.8035	1.3030-1.3045	United States	1.37½-1.39½
U.A.E. Dirham	5.0910-5.0965	3.6720-3.6730	Yugoslavia	176-201

* Selling rates.

CURRENCY MOVEMENTS

June 12	Bank of England Index	Morgan Guaranty Changes%
Sterling	79.5	−11.3
U.S. dollar	131.0	+19.7
Canadian dollar	88.2	−3.7
Austrian schilling	116.4	+4.5
Belgian franc	90.1	−11.1
Danish Kroner	78.4	−5.9
Deutsche mark	126.0	+8.2
Swiss franc	145.7	+9.9
Guilder	115.2	+4.6
French franc	66.5	−15.1
Lira	48.3	−13.1
Yen	157.3	+13.5

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

June 12	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.752735	0.593034
U.S. $	9	1.04246	0.821530
Canadian $	11.77	*	1.06897
Austria Sch.	4½	19.9089	15.6748
Belgian Fr	11	57.8513	45.5641
Danish Kr.	7	10.4074	8.20816
D'mark	4	N/A	2.23317
Guilder	5	3.19514	2.51799
French Fr.	9½	8.71757	6.86799
Lira	15½	1758.60	1384.59
Yen	5	241.590	190.759
Norwgn Kr.	8	8.09418	6.37713
Spanish Pta.	—	160.226	126.269
Swedish Kr.	8½	8.40744	6.65221
Swiss Fr	4	2.36221	1.86200
Greek Dr'ch	20½	112.836	88.9471

*C$/SDR rates for June 11: 1.36242.

EXCHANGE CROSS RATES

June 12	Pound St'rling	U.S. Dollar	Deutsche m'k	J'panese Yen	FrenchFranc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.383	3.773	321.5	11.60	3.153	4.253	2333.	1.791	76.75
U.S. Dollar	0.723	1.	2.725	232.7	8.385	2.279	3.075	1688.	1.301	55.64
Deutschemark	0.265	0.366	1.	85.16	3.075	0.836	1.127	618.4	0.475	20.34
Japanese Yen 1,000	3.113	4.304	11.74	1000.	36.11	9.813	13.24	7262.	5.574	238.9
French Franc 10	0.863	1.193	3.252	276.9	10.	2.718	3.666	2011.	1.544	66.16
Swiss Franc	0.317	0.439	1.197	101.9	3.680	1.	1.349	740.0	0.568	24.35
Dutch Guilder	0.235	0.325	0.887	75.54	2.728	0.741	1.	548.6	0.421	18.05
Italian Lira 1,000	0.429	0.593	1.617	137.7	4.972	1.351	1.823	1000	0.767	32.90
Canadian Dollar	0.559	0.772	2.107	179.4	6.479	1.761	2.375	1303.	1.	42.87
Belgian Franc 100	1.303	1.801	4.915	418.5	15.11	4.107	5.541	3040.	2.333	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

June 12	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Kroner
Short term	8¾-9	10⅝-10⅞	11¼-11¾	5 9/16-5 13/16	2½-2¾	5¼-5⅜	12-12¼	14-15	11-11½	11-11½	5 11/16-5 13/16	11⅝-11⅞
7 days' notice	8⅞-9	10 15/16-11 1/16	11½-12	5 11/16-5 15/16	2½-2¾	5 7/16-5 9/16	12-12¼	14¾-15¾	11½-12	11½-11¾	5 11/16-5 15/16	11⅝-12⅛
Month	9⅛-9¼	11⅛-11¼	11⅜-11 11/16	5 13/16-6 1/16	3 11/16-3 15/16	5⅛-5⅜	12⅛-12⅜	14¾-15¼	11½-12	11⅝-11⅞	6⅛-6¼	10⅞-11⅜
Three months	9⅜-9½	11 5/16-11 7/16	11 7/16-11⅞	6⅛-6¼	3⅞-4	5¾-5⅞	13-13¼	15-15½	11½-12	11¾-12	6 5/16-6 7/16	10⅝-11⅛
Six months	9¾-9⅞	12 1/16-12 3/16	12⅜-12⅝	6 7/16-6 9/16	4¼-4⅜	6 1/16-6 3/16	14-14¼	15¾-16¼	12¼-12⅝	11⅞-12⅛	6 9/16-6 11/16	10⅞-11⅜
One year	10⅜-10½	13 3/16-13 5/16	13 3/16-13⅜	6 13/16-7 1/16	4⅜-4¾	6⅝-6¾	15-15¼	17-17½	13¼-13¾	12-12¼	6 9/16-6 11/16	11½-12

Asian $ (closing rates in Singapore): Short-term 11⅛-11¼ per cent; seven days 11 3/16-11 5/16 per cent; one month 11 3/16-11 5/16 per cent; three months 11 9/16-11 11/16 per cent; six months 12 3/16-12 7/16 per cent; one year 13 5/16-13 7/16 per cent. Long-term Eurodollars: two years 13⅞-14⅛ per cent; three years 14¼-14½ per cent; four years 14¼-14½ per cent; five years 14⅜-14⅝ per cent nominal closing rates. Short-term rates are call for U.S. banks and Japanese yen; two days' notice.

MONEY MARKETS

Short rates ease but longer end firm

Short-term interest rates were a little easier in London yesterday, reflecting the relatively relaxed liquidity conditions. Longer-term rates were firmer, however, as U.S. interest rates maintained their recent upward trend. In addition sterling showed weaker signs against the dollar amid confusion as to whether the U.S. Federal authorities had altered their stance on monetary policy.

One-month sterling CDs eased to 9⅛-9 per cent from 9 3/16-8⅞ per cent but the one-year rate moved out to 10⅛-10 per cent from 10-9 15/16 per cent. Three-month eligible bank bills were bid at 8 27/32 per cent unchanged from Monday at was three-month interbank money at 9⅜-9½ per cent. Overnight interbank money opened at 8⅞-9 per cent and eased to 8½-8⅝ per cent. During the afternoon rates fell away to a low of 5 per cent before edging back to 6 per cent.

UK clearing banks' base lending rate 9-9¼ per cent (since May 10 and 11)

The Bank of England forecast a shortage of around £200m with factors affecting the market including maturing assistance and a take-up of Treasury bills together draining £523m, partly offset by Exchequer transactions adding £225m and a fall in the note circulation of £70m. In addition banks brought forward balances £35m above target. The Bank gave assistance in the morning of £197m. This comprised purchases of £24m of local authority bills and £173m of eligible bank bills all in band 4 (64-91 days) at 8⅞ per cent.

The Bank gave further assistance in the afternoon of £33m, comprising purchases of £24m of eligible bank bills in band 1 (up to 14 days) at 9 1/16 per cent and £9m in band 4 at 8⅞ per cent. It also provided a late round of help of £20m, making a total of £250m.

In Rome the average yield at yesterday's Treasury bill tender rose on six month bills to 14.55 per cent from 14.47 per cent. The L750bn of six months bills attracted bids of L893bn and all bills offered were alloted. Of the L750bn of 12-month bills on offer, L562bn were taken up and the remaining L188bn were bought by the Bank of Italy.

MONEY RATES

June 12	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	5.5-5.55	12⅛	2-5	5¾-5⅞	5.78175	16¼-16⅝	9.15	11⅛-11¼
One month	5.65-5.75	12⅛-12¼	3⅝-3¾	5 13/16-6 1/16	6.15625	16¼-16⅝	11⅝-11⅞	12-12¼
Two months	5.85-6.00	12⅛-12¼	—	—	—	—	—	12¼-12½
Three months	6.05-6.15	12¼-12⅜	3⅞-4	6⅛-6¼	6.28125	16½-16⅞	11¾-12	12⅜-12⅝
Six months	6.25-6.40	12½-12⅝	—	6⅜-6½	—	—	11⅞-12⅛	12⅝-12⅞
Lombard	5.5	—	—	—	—	—	—	—
Intervention	—	11¾	—	5⅞	—	—	—	—

LONDON MONEY RATES — Discount Houses Deposit and Bill Rates

June 12 1984	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	5-9	8⅞	8¼-9	5-8⅞	—	—	—	—	—
2 days notice	—	—	8⅞	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	8 13/16-9⅛	9	9-9¼	8½-8⅞	—	—	—	—	—
One month	9⅛-9	9⅛-9¼	9⅛	9¼-9⅜	8¾-8⅞	8 11/16	8⅞	8 31/32	8⅞-8 13/16	9 13/16
Two months	9¼-9⅛	9¼-9⅜	9¼	9⅜	8⅞-9	8 13/16	8 13/16	8 27/32	8 13/16	9 15/16
Three months	9 5/16-9 3/16	9⅜-9½	9⅜	9½	9-9⅛	8 11/16-8	8¾	8 27/32	8⅞	9 15/16
Six months	9¾-9⅝	9¾-9 13/16	9¾	—	—	—	—	9 1/32-9 15/16	9¼-9⅜	9 15/16
Nine months	10-9⅞	10⅛-10¼	10	—	—	—	—	—	—	—
One year	10⅛-10	10⅜-10⅛	10⅜	—	—	—	—	—	—	—

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	9 1/16-8 15/16	—	9⅛	11.05-11.15	9⅛-8⅞	9¼-9¼
Two months	9⅜-9½	—	9¼	11.25-11.35	9⅜-9⅝	9⅛-9⅜
Three months	9⅞-9⅝	—	9⅜	11.4-11.5	9⅜-9⅝	9⅝-9⅞
Six months	10-9¾	—	9⅞	12.25-12.35	10¼-10⅛	9 15/16-10
Nine months	10½-10¼	—	10⅛	12.8-12.9	—	—
One year	10½-10¼	—	10½	13.15-13.35	11-11¼	10 9/16-10⅛
Two years	—	11⅝	—	—	—	—
Three years	—	11¾	—	—	—	—
Four years	—	11⅞	—	—	—	—
Five years	—	12	—	—	—	—

ECGD Fixed Rate Export Finance Scheme IV: Average Rate of Interest period May 2 to June 5 1984 (inclusive): 9.516 per cent. Local authorities and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 9½ per cent from June 1 1984. London and Scottish Clearing Bank Rates for lending 9-9¼ per cent. London Deposit Rate for sums at seven days' notice 5¾-6 per cent. Treasury Bills: Average tender rate of discount 8.8613 per cent. Certificates of Tax Deposit (Series 6). Deposit of £100,000 and over held under one month 9½ per cent; one-three months 9¾ per cent; three-six months 10 per cent; six-nine months 10¼ per cent; nine-12 months 10½ per cent. Under £100,000 9 per cent from June 7. Deposits held under Series 4-5 10½ per cent. The rate for all deposits withdrawn for cash 7 per cent.

FT LONDON INTERBANK FIXING

LONDON INTERBANK FIXING (11.00 a.m. June 12)

3 months U.S. dollars

bid 11 5/8 | offer 11 3/4

6 months U.S. dollars

bid 12 5/8 | offer 12 1/2

The fixing rates are the arithmetic means, rounded to the nearest one sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	12½
Broker loan rate	11½-11¾
Fed funds	10⅞
Fed funds at intervention	—

Treasury Bills

One month	9.50
Two month	9.85
Three month	10.08
Six month	10.67
One year	10.97

Treasury Bonds

Two year	99 11/32
Three year	98 7/32
Four year	98
Five year	101 7/32
Seven year	84 27/32
10 year	97 21/32
30 year	98⅝

FINANCIAL FUTURES

Erratic trading

Prices recovered from the day's lows in the London International Financial Futures Exchange yesterday. Values were marked down initially on firmer Euro-dollar cash rates and a softer U.S. bond market. However Fed funds opened below 11 per cent and the market took heart aided by firmer U.S. bonds to recoup some of the day's losses. Volume was relatively high, notably in Euro-dollars and gilt sectors. Trading remained volatile ahead of a string of U.S. economic statistics due over the rest of this week.

The September gilt price opened at 102-14 down from 102-25 and in line with a softer cash market. The rally came after a low of 101-21 had been reached and the contract recovered to close at 102-10. Volume was over 4,500 which was around 1,000 up on Monday.

Euro-dollars finished below their best in the cash market, enabling values in the futures market to recover from the day's lows. The September contract which traded nearly 6,000 lots, opened at 87.10 and eased to 86.44 before recovering to 87.13.

A rally in the equity market helped the June FT-SE contract to finish at 105.75 up from a low of 104.90 and the day's opening level of 105.50 but down from 106.85 on Monday.

Short sterling deposits opened on a weaker note with some cash prices edging firmer in line with Euro-dollar rates. Sterling's performance against the dollar gave some cause for concern at one point as it dipped below $1.3800. However a small sterling recovery and U.S. rates off the top helped the September price recover from a low of 89.83 to finish at 89.89

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
Sept	87.13	87.17	87.03	87.20
Dec	86.55	86.58	86.44	86.58
March	86.18	86.20	86.04	86.21
June	85.90	85.90	85.80	85.92
Sept	85.64	85.64	85.52	—

Volume 6,472 (3,686)
Previous day's open int. 15,419 (15,132)

THREE-MONTH STERLING DEPOSIT £250,000 points of 100%

	Close	High	Low	Prev
June	90.77	90.77	90.75	90.78
Sept	89.89	89.92	89.83	89.96
Dec	89.31	89.35	89.28	89.39
March*	88.95	88.97	88.93	89.02
June*	88.65	88.65	88.65	88.84

Volume 1,372 (790)
Previous day's open int. 9,352 (9,242)
* £500,000 points of 100%

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
June	103-19	103-26	103-06	104-03
Sept	102-10	102-20	101-21	102-25
Dec	101-26	—	—	102-09
March	101-15	—	—	101-30
June	101-07	—	—	101-22

Volume 4,867 (3,576)
Previous day's open int. 10,502 (9,985)
Basis quote (clean cash price of 13¾% Treasury 2003 less equivalent price of near futures contract) par to 10 (32nds)

STERLING £25,000 $ per £

	Close	High	Low	Prev
Sept	1.3910	1.3967	1.3913	1.4015
Dec	1.4010	1.4030	1.4010	1.4110

Volume 445 (117)
Previous day's open int. 2,329 (2,363)

DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
Sept	0.3723	0.3735	0.3722	0.3748
Dec	0.3782	—	—	0.3807

Volume 285 (104)
Previous day's open int. 355 (352)

SWISS FRANCS SwFr 125,000 $ per SwFr

	Close	High	Low	Prev
Sept	0.4473	0.4500	0.4473	0.4518
Dec	0.4566	0.4595	0.4566	—

Volume 560 (182)
Previous day's open int. 563 (483)

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
Sept	0.4359	—	—	0.4377
Dec	—	—	—	—

Volume nil (35)
Previous day's open int. 377 (394)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
June	105.75	106.00	104.90	106.85
Sept	104.95	105.10	104.30	106.05
Dec	106.35	105.60	104.85	106.65

Volume 720 (374)
Previous day's open int. 1,045 (946)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
June	61-19	61-22	61-08	61-13
Sept	60-23	60-28	60-14	60-19
Dec	60-06	60-11	59-27	60-02
March	59-25	59-26	59-16	59-20
June	59-14	59-14	59-05	59-09
Sept	59-04	59-04	59-03	59-00
Dec	—	—	—	58-24
March	—	—	—	58-17

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
Sept	88.78	88.80	88.72	88.71
Dec	88.11	88.14	88.05	88.06
March	87.74	87.75	87.69	87.68
June	87.47	87.47	87.44	87.43
Sept	87.28	87.28	87.27	87.26
Dec	87.16	87.16	87.14	87.13
March	87.03	87.03	87.03	87.02

CERT DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
June	88.64	88.65	88.57	88.63
Sept	87.26	87.30	87.20	87.22
Dec	86.68	86.70	86.62	86.67
March	86.29	86.31	86.24	86.26

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
June	88.25	88.26	88.20	88.25
Sept	86.82	86.86	86.74	86.79
Dec	86.21	86.23	86.14	86.18
March	85.82	85.84	85.75	85.78
June	85.54	85.55	85.51	85.50

STERLING (IMM) $s per £

	Latest	High	Low	Prev
June	1.3850	1.3885	1.3845	1.3880
Sept	1.3935	1.3970	1.3930	1.3960
Dec	1.4040	1.4080	1.4040	1.4055
March	1.4130	1.4180	1.4130	1.4155

GNMA (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
June	65-01	65-05	64-27	64-28
Sept	63-23	63-28	63-20	63-22
Dec	62-24	62-27	62-22	62-22
March	61-31	61-31	61-31	61-27
June	—	—	—	61-05
Sept	—	—	—	60-20
Dec	—	—	—	60-07

Company Notices

J. Rothschild Investment Holdings B.V.
(the "Company", formerly called Rothschild Investment Holdings B.V.)

The outstanding £9,600,000 14½ per cent. Guaranteed Bonds due 1998 of the Company (the "Bonds")

formerly guaranteed by

RIT and Northern p.l.c. ("RITN")

[illegible]

NOTICE IS HEREBY GIVEN to the Bondholders that, [illegible]

[illegible]

PRINCIPAL PAYING AGENT
The Chase Manhattan Bank, N.A.,
Woolgate House,
Coleman Street,
London EC2P 2HD.

PAYING AGENTS
[illegible]

Chase Manhattan Bank Luxembourg S.A., 47 Boulevard Royal, Luxembourg.
Chase Manhattan Bank (Switzerland), Gerbergasse 24, 8007 Zurich.

Dated 13th June, 1984

J. Rothschild Investment Holdings B.V.
P. M. Storm
Managing Director

IPNA N.V.

NOTICE IS HEREBY GIVEN that in accordance with Article 8 of the Conditions of Administration, the Annual General Meeting of the holders of Depositary Receipts of Indosuez and Partners Properties in North America (IPNA) N.V. will be held on June 27th 1984, at the office of the Stichting in Amsterdam, at Herengracht 320 at 11.30 a.m. in order to review the annual accounts of Indosuez and Partners Properties in North America (IPNA) N.V. for the fiscal year ended December 31st, 1983.

Notice that in accordance with Article 9 of the Conditions of Administration, holders of Depositary Receipts or their representatives are not allowed admission to the meeting unless they have deposited their certificates at the office of the Stichting at least three days prior to the meeting, or unless they have so deposited with the Stichting a statement from a bank that such certificate will be held in its custody until the end of the meeting.

Notice that agenda of the meeting and the annual accounts 1983 have been deposited at the offices of the Stichting at the aforementioned address, and a copy thereof will be sent upon request to any holder of Depositary Receipts.

STICHTING INDOSUEZ TRUST SERVICES

BANQUE EXTERIEURE D'ALGERIE

SUS 25,000,000 8¾% 1972/1984

FINAL REDEMPTION

[illegible]

Luxembourg, June 12, 1984.

BABCOCK NEDERLAND B.V.

[illegible]

Seminars

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THE HENLEY CENTRE FOR FORECASTING

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for June 12.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Alaska Housing 11⅞ 94	100	89½	90	−0⅛	−0½	13.68
American Savings 12 89	125	97½	98	+0⅛	−0⅛	12.62
American Sav 12⅛ 89	100	98½	99	−0⅛	−0⅜	12.59
Australian Ind Dev 11 89	75	91⅞	92⅜	+0⅛	−0⅛	13.34
Bank Of Tokyo 11⅛ 90	100	91⅝	92⅛	−0⅛	−0⅞	13.80
Beneficial O/S Fin 12 91	100	89⅝	90⅛	−0⅝	+0⅞	14.43
Citicorp O/S 11⅜ 99	100	90½	91	+0⅜	−0½	13.79
Consolid Int 12¾ 88	125	95¼	95¾	−0⅛	−0⅜	13.79
Creditanstalt 13⅛ 91	100	98½	99	0	−0⅛	13.48
D.N.C. 11⅜ 91 WW	50	89¼	90¼	+0⅛	−1	14.19
D.N.C. 11¾ 91 XW	50	89¾	90¼	0	−0⅜	14.19
Denmark Kingdom 12 91	100	90⅛	90⅝	−0⅛	−1⅛	14.28
Denmark Kingdom 12¼ 93	100	90½	90⅞	−0⅛	−1⅛	14.06
Denmark Kingdom 13 91	100	94⅛	94⅝	−0¼	−2¼	14.29
Digital Equip 11⅜ 89	150	93⅝	94⅛	−0⅛	−1⅛	13.54
Dutch Mines 11⅞ 91	150	88¾	89¼	0	+0¾	13.96
E.D.C. 11⅛ 89	150	91⅜	91⅞	−0⅛	−0⅞	13.62
E.E.C. 12 93	50	92⅛	92⅝	−0⅝	−0⅝	13.43
E.I.B. 12½ 90	100	95¼	95¾	−0¼	−0¾	13.64
E.I.B. 12⅞ 94	100	95¾	96¼	−0⅜	−1⅛	13.62
Eurofima 12½ 91	100	94⅜	94⅞	−0⅛	−0¼	13.74
Florida Fed Sav 12⅞ 89	100	96⅝	97⅛	−0⅜	−1½	13.28
Gen Elec Credit 11 91 WW	200	93½	94	0	−0⅝	12.40
Gulf & Western 12⅛ 89	100	93⅜	93⅞	0	−1	14.01
I.I.I. 12 89	100	93⅛	93⅝	0	−0⅛	13.95
Indust Bk Japan 11½ 89	125	91⅞	92⅜	−0⅛	−0⅝	13.84
Int Paper O/S Fin 12 91	75	95⅜	95⅞	+0⅛	−0⅝	12.85
ITT Finance 11½ 89 WW	125	95¾	96¼	−0⅛	−1⅛	12.51
Japan Air Lines 12½ 91	70	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
L.T.C.B. 11⅞ 89	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Macy O/S 11⅞ 91	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mitsui Trust Fin 12 91	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Montreal City 12½ 91	70	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Morgan Guaranty 12¼ 89	150	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nat Gasunie 11¾ 91	75	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Newfoundland Prov 13 91	75	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nippon Credit 11⅞ 90	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nippon Tele 11⅝ 90	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nova Scotia Pro 11¾ 91	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ontario Hydro 11⅝ 94	200	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Prudential 10⅜ 93 XW	150	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Quebec Hydro 11½ 92	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Quebec Province 12¾ 94	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Rockefeller Grp 13⅜ 89	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Royal Bk of Can 11½ 89	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Rural & Ind Bk 12 91	50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sears O/S Fin 11⅝ 89	125	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sears O/S Fin 11⅝ 91	150	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sec Pac O/S Fin 11⅝ 89	75	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sec Pac O/S Fin 12 92	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S.E.K. 11⅝ 89	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Shearson/Amex 12⅜ 94	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sumit 12 89	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sumitomo Fin 12¾ 91	150	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden Kingdom 12⅞ 89	200	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Texas Insts Int 11⅝ 91	150	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokai Asia 12⅝ 91	100	[illegible]	[illegible]	[illegible]	[illegible]	13.92
World Bank 11⅝ 88	200	[illegible]	[illegible]	[illegible]	[illegible]	13.53
Yasuda Tst&Bk 12⅜ 89	100	[illegible]	[illegible]	[illegible]	[illegible]	14.22

Average price change On day −0⅛ on week −0½

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Allied Chemical 7½ 94	125	[illegible]	[illegible]	[illegible]	[illegible]	7.58
Amca Int'l 8¼ 91	100	[illegible]	[illegible]	[illegible]	[illegible]	8.24
A.N.A.S. 8¼ 91	150	[illegible]	[illegible]	[illegible]	[illegible]	8.41
Austria,Republic 7¾ 94	200	[illegible]	[illegible]	[illegible]	[illegible]	8.05
Bader Tranned 7⅝ 94	200	[illegible]	[illegible]	[illegible]	[illegible]	7.55
Credit National 8¼ 94	200	[illegible]	[illegible]	[illegible]	[illegible]	8.31
Degussa Int Fin 7½ 94	100	[illegible]	[illegible]	[illegible]	[illegible]	7.34
E.E.C. 8 92	200	[illegible]	[illegible]	[illegible]	[illegible]	8.08
E.I.B. 8 91	250	[illegible]	[illegible]	[illegible]	[illegible]	8.19
Escom 8 92	150	[illegible]	[illegible]	[illegible]	[illegible]	8.19
Ferrovie Dello Stato 8 91	100	[illegible]	[illegible]	[illegible]	[illegible]	8.14
Finland Rep 7½ 91	100	[illegible]	[illegible]	[illegible]	[illegible]	7.93
Gould Int Fin 7⅝ 91	100	[illegible]	[illegible]	[illegible]	[illegible]	7.96
Int Standard Ele 7⅞ 89	100	[illegible]	[illegible]	[illegible]	[illegible]	7.36
Ireland 8½ 92	150	[illegible]	[illegible]	[illegible]	[illegible]	8.43
Megal Fin 8¼ 94	150	[illegible]	[illegible]	[illegible]	[illegible]	8.24
Mitsubishi Hvy 3½ 89WW	300	[illegible]	[illegible]	[illegible]	[illegible]	3.50
Mitsubishi Hvy 3½ 89XW	300	[illegible]	[illegible]	[illegible]	[illegible]	6.98
O.K.B. 7½ 89	100	[illegible]	[illegible]	[illegible]	[illegible]	7.60
Pepsico O/S Fin 7⅝ 94	250	[illegible]	[illegible]	[illegible]	[illegible]	7.24
Reynolds O/S Fin 7⅞ 94	200	[illegible]	[illegible]	[illegible]	[illegible]	7.49
S.N.C.F. 8¼ 93	100	[illegible]	[illegible]	[illegible]	[illegible]	8.11
Sth Africa Rep 8½ 91	300	[illegible]	[illegible]	[illegible]	[illegible]	8.28
World Bank 7¾ 89	100	[illegible]	[illegible]	[illegible]	[illegible]	7.87
World Bank 7¾ 93	300	[illegible]	[illegible]	[illegible]	[illegible]	8.18
World Bank 8 94	300	[illegible]	[illegible]	[illegible]	[illegible]	8.12

Average price change On day [illegible] on week [illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Australia Comm 5⅝ 86	200	[illegible]	[illegible]	[illegible]	[illegible]	5.34
Canada 5⅛ 92	200	[illegible]	[illegible]	[illegible]	[illegible]	5.55
Council Fonds 5⅝ 94	100	[illegible]	[illegible]	[illegible]	[illegible]	5.83
Council Press 6⅝ 94	200	[illegible]	[illegible]	[illegible]	[illegible]	6.30
Elec Power Dev 6⅝ 93	100	[illegible]	[illegible]	[illegible]	[illegible]	5.99
FGH 5⅝ 92	110	[illegible]	[illegible]	[illegible]	[illegible]	6.25
Int-Am Dev Bk 6 93	100	[illegible]	[illegible]	[illegible]	[illegible]	6.94
Japan Fin Corp 5½ 94	100	[illegible]	[illegible]	[illegible]	[illegible]	5.79
Japan Highway 5⅝ 92	150	[illegible]	[illegible]	[illegible]	[illegible]	6.04
Ryusho Ele Power 5⅝ 92	100	[illegible]	[illegible]	[illegible]	[illegible]	5.48
Linotype Int Fin 6⅝ 94	100	[illegible]	[illegible]	[illegible]	[illegible]	6.32
Malaysia 6⅛ 92	100	[illegible]	[illegible]	[illegible]	[illegible]	6.94
Manitoba Prov 5⅞ 94	100	[illegible]	[illegible]	[illegible]	[illegible]	5.63
Mexico Fin Asia 5⅝ 94	65	[illegible]	[illegible]	[illegible]	[illegible]	6.24
Mount Isa Fin 5⅝ 94	100	[illegible]	[illegible]	[illegible]	[illegible]	6.00
New Brunswick 5⅝ 94	100	[illegible]	[illegible]	[illegible]	[illegible]	5.80
O.K.B. 5⅝ 92	100	[illegible]	[illegible]	[illegible]	[illegible]	5.72
Sec Lux Cent 5⅜ 93	100	[illegible]	[illegible]	[illegible]	[illegible]	6.90
Spain Kingdom 6¾ 92	100	101¼	101½	0	0	6.92
Stadsforetag 6 92	75	99	99¼	−0½	−0½	6.14
Sweden Kingdom 5¾ 94	125	99⅝	100	0	+0½	5.78
Tauernkraftwerke 6½ 94	100	97⅛	97½	−0⅛	−0⅛	5.86
Tobu Railway 4 92 WW	100	97½	97¾	0	0	4.36
Tobu Railway 4 92 XW	100	85½	85¾	−0½	−0½	6.37
Transcanada Pipe 5½ 92	100	98	98¼	0	0	5.80

Average price change On day 0 on week +0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Asian Dev Bk 7⅝ 94	15	97	97½	0	+0⅝	7.78
Eurofima 7⅝ 94	10	97⅜	97⅞	0	+0¼	7.72
New Zealand 7½ 90	15	96¾	97¼	0	0	7.72
World Bank 7 94	20	93¾	94¼	+0⅛	+0¾	7.89
World Bank 7⅝ 93	20	98¾	99¼	+0⅛	0	7.77

Average price change On day +0⅛ on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
British Col Hyd 12 93 C$	125	90	90½	−0⅛	−0⅝	13.87
Brit Col Tel 12¼ 99 C$	70	93⅝	94½	0	+0⅛	13.19
Canadian Occ 12⅝ 89 C$	60	†94¼	94¾	0	+0⅝	13.22
E.I.B. 12⅛ 91 C$	80	†95	95½	0	+0⅛	13.12
Loblaw 12½ 90 C$	35	†90½	91	0	−0⅝	14.75
Montreal City Of 12 90 C$	50	†97¼	97¾	0	+0⅛	12.54
World Bank 12⅛ 90 C$	75	†95¼	95¾	0	0	13.85
Austria Rep 10⅝ 93 ECU	100	*94⅞	95⅜	0	+0¼	11.58
GTE Fin 10½ 92 ECU	50	*97¼	98	0	+0⅛	11.33
Amro Bank 8 89 FL	200	†98¾	99¼	+0⅛	+0⅛	8.25
Bk Mees & Hope 8¼ 89FL	100	98⅞	99⅜	0	−0¼	8.46
Electrolux 8 89 FL	80	95⅞	96⅜	−0⅛	−0⅜	9.01
Int Stand Ele 8½ 89FL	100	100¼	100¾	−0⅛	−0⅜	8.35
PHP 8¼ 89 FL	75	98¼	98¾	0	−0⅛	8.63
Rabobank 8 89 FL	150	98½	99	0	−0⅛	8.31
O.K.B. 14 86 FF	400	100⅞	101⅞	−0⅛	−0⅛	12.91
Solvay & Cie 14⅛ 86 FF	200	101¾	102¾	−0⅛	−0¼	13.12
Air Canada 11¼ 94 £	40	92⅞	93⅜	−0⅛	0	12.51
Commerzbank 11½ 90 £	25	99	99⅝	−0⅛	−0⅛	11.61
Cecl Europe 11⅜ 92 £	50	93¼	94	−0⅛	−0⅝	12.89
Denmark 10⅝ 89 £	75	93	93¾	0	−0⅝	12.64
E.E.C. 11⅜ 94 £	50	93½	94	−0⅛	−0⅝	12.50
E.I.B. 10⅜ 92 £	50	90⅝	91½	−0⅝	−0⅜	12.58
Finland Rep 11⅛ 88 £	50	99⅝	100⅛	−0⅛	−0⅛	11.83
Forsmarks 10⅝ 89 £	40	92½	93⅛	−0⅛	−0⅜	11.94
I.B.J. 11⅛ 86 £	30	96¼	97	−0½	−0½	12.16
I.I.I. 10⅝ 93 £	25	92⅞	93⅝	−0⅛	0	11.96
Int Stand Ele 11¼ 89 £	50	97¼	98	−0⅛	0	11.76
Ireland 11⅜ 94 £	50	91	91⅞	−0⅜	−0⅛	12.96
New Zealand 10⅝ 89 £	100	93¼	93⅞	−0⅛	0	12.46
SNCF 11⅛ 94 £	80	91⅝	92⅜	−0⅛	−0¼	12.76
World Bank 10⅝ 89 £	100	93¼	93⅞	−0⅜	−0⅜	12.47
Electrolux 10 89 LF	500	97⅛	98⅛	−0⅝	−0½	10.43
Cecl Europe 10⅝ 93 LF	600	100½	101¼	0	+0⅛	10.58

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Arab Banking 5¼ 96	0⅛	†98¾	98⅞	15/9	10.81	10.98
B.B.L. Int 5 89	0⅛	98⅛	98⅝	11/10	11.19	11.39
Banco Naz Lavor 5¼ 91	0⅛	†98⅞	99	26/10	11.44	11.57
Bank of Montreal 5 96	0⅛	99½	99⅝	27/10	11.19	11.23
Bankers Trust 5¼ 88	0⅛	99⅝	100	10/8	11⅝	11.76
Banque Indosuez 5¼ 99	0⅛	99	99¼	21/9	11.06	11.16
Barclays O/S Inv 5 2004	0⅛	98	98¼	2/8	10.56	10.78
BFG Fin 5¼ 96	0⅛	99	99½	1/9	11⅞	11.96
Commerzbank 5¼ 89 XW	0	99¼	99½	21/8	11.10	11.26
Creditanstalt Bank 5 96	0⅛	97¾	98	23/8	10½	10.73
Dai-Ichi Kangyo 5¼ 98	0⅛	99	99¼	10/11	12⅛	12.23
Dresdner Fin 5¼ 89	0	99¼	99½	23/8	11⅝	11.70
E.D.F. 5¼ 99	0⅛	98½	98¾	23/8	10.56	10.71
Ferrovie State 5¼ 99	0⅛	99	99¼	31/8	10.69	10.78
Lloyds Euro 5 2004 $	0⅛	98⅛	98⅜	10/10	11.31	11.51
Midland Int Fin 5 99 $	0⅛	98¼	98½	6/8	10.56	10.74
Mort Bk Denmark 5¼ 99+	0⅛	99¼	99½	11/8	11	11.07
Nat West-Perp 5 99	0⅛	100	100¼	10/11	12.44	12.42
Neste Oy 5¼ 94	0⅛	99	99¼	23/8	10.56	10.65
Oster Land 5¼ 99 $	0⅛	97¼	97½	11/10	11.10	11.48
Queensland Coal 5¼ 96	0¼	99⅞	100⅛	9/11	11⅝	11.63
Societe Gen 5¼ 94	0⅛	98⅞	99⅛	15/9	10.10	10.29
Spain 5¼ 97	0⅛	98⅝	98⅞	23/8	10.56	10.71
Sweden Kingdom 5¼ 2024	0⅛	†97⅞	98	22/8	11.19	11.43
Takugin 5¼ 94 $	0⅛	99	99⅛	15/9	10⅝	10.84

Average price change On day 0 on week 0

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 3 99	4/84	1159	97	98	−1⅞	−0.11
BBC Brown Boveri 4¼ 95	2/84	165	†92	93½	−3	−0.53
Daiwa Sec Co 5½ 98	10/83	481.6	†119	120½	0	−2.47
Fanuc 3⅝ 98	1/84	9142	124⅞	125⅞	−4⅝	32.92
Fujitsu 3 99	5/84	1320.9	93	94	−2⅝	4.82
Honda Motor 5¼ 98	6/83	884	132⅝	133⅝	−5	−2.57
Konishiroku Photo 4 98	10/83	673	88⅝	89⅝	−0½	3.38
Minebea Co Ltd 5½ 98	5/83	867	108¼	109¼	−0⅝	1.28
Mitsubishi Elec 5¼ 98	6/83	395	100	101	−2¼	1.87
Mitsubishi Heavy 6⅝ 98	1/84	253	95⅛	96⅛	−1⅞	−0.08
Murata 3½ 98	2/84	2930	102⅝	103⅝	−2⅝	32.53
Nippon Oil Co 3⅝ 98	3/84	1052	103	104	−3⅝	3.80
Nippon Oil Co 5½ 98	4/83	964	112½	113½	−3	2.36
Nissan Motor 5⅝ 98	4/83	700	98⅝	99⅝	−1½	8.47
Ono Pharm'cal Co 3¼ 98	3/84	9480	139⅛	140⅞	−11	16.13
Orient Leasing 5¼ 98	6/83	2500	124	125½	−2	−5.14
Secom 5 98	11/83	2920	170⅛	172⅛	−4⅛	−9.38
Sekisui House 3 99	6/84	612	98⅛	99⅛	−1⅞	−1.87
Sumitomo Corp 2⅞ 98	5/84	593	89¼	90¼	−0⅝	2.44
Yamaichi Sec Co 5 98	8/83	440.5	123¼	124¾	−0¼	−2.38
Yamanouchi Pharm'cal 4 99	10/83	1000	97⅛	98⅛	−3	28.35
Nippon Oil Co 2⅞ 92 SF	3/84	1052	105½	106½	−0½	2.56
Nippon Shinpan Co 2 92 SF	3/84	801	91	92	−0⅝	33.74
Sanyo Paper 2⅞ 92 SF	4/84	877	122½	123½	−2¼	−4.71
Asics 5 92 DM	12/83	520	182	183	+0¼	19.77
Sun Realty 6¼ 92 DM	2/83	385	150⅞	151⅞	−4	−8.38

* No information available-previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week – Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C. date – Date next coupon becomes effective. Spread – Margin above six-month offered rate (†† three month: § above mean rate) for U.S. dollars. C.cpn. – current coupon. Cu. yld – current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day – Change on day. Cnv. date – First date for conversion into shares. Cnv. price – Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem – Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

CAPITAL MARKETS

Euromarkets debut for Elders IXL with $130m bond

BY MAGGIE URRY IN LONDON

ACTIVITY in the primary Eurobond markets picked up strongly again yesterday with new issues in most sectors, despite little support from a still quiet secondary market.

Elders IXL, the Australian brewer, agriculture and finance company, made a successful first foray into the Eurodollar sector with a $130m, 10-year convertible bond. Lead manager SBC International indicated a 11¼ per cent coupon and a 93¼ price. The conversion premium will be between 20 and 22 per cent.

Investors were attracted by put options after three, four and five years, giving a yield to the first date of 14.29 per cent. As a result, the bond traded at a small premium to its issue price. Co-lead managers are Deutsche Bank and Wardley London.

Coles' outstanding 13¾ per cent issue, dated 1988, meanwhile was yielding 13.98 per cent. The new issue traded slowly with no great signs of retail demand from Benelux investors, who are traditionally buyers of A$ paper.

The World Bank has started the new D-Mark issue calendar with a DM 300m bond. It has an eight-year life and an 8¼ per cent coupon, at par. Deutsche Bank is leading the deal, which traded well yesterday at a ⅞ point discount.

Soditic priced its minimum SwFr 50m eight-year issue for Générale Occidentale at 99¾ with a 6¾ per cent coupon.

In the Swiss franc sector, Swiss Bank Corporation priced its SwFr 200m five-year convertible private placement for Tokyo Sanyo Electric, with a 2 per cent coupon as indicated, but a redemption price of 103 rather than par.

Prices of dollar, D-Mark and Swiss franc seasoned bonds traded around ¼ point lower, yesterday, in low turnover.

BHF Bank bond average		
June 12 98.962		Previous 99.031
High 100.009	1984	Low 98.056

In the wake of the Industrial Bank of Japan's popular issue last week, Nippon Credit Bank launched a $100m, five-year bond with a 13¼ coupon, the proceeds of which will be swapped into floating rate funds. A shortage of new five-year paper helped it to trade at a discount of 1¼ per cent, inside its total 1¾ per cent fees. The issue is led by Salomon Brothers, Citicorp, Morgan Stanley and the borrower's Hong Kong branch.

SBC International announced details of its 10-year floating rate note for the Finnish bank, Skopbank, raising $75m. With a coupon of ⅛ per cent over the six-month London inter-bank offered rate (Libor) at par, the issue has a put option after seven years. Total fees are 0.725 per cent, giving an all-in compounded cost to the borrower of 0.275 per cent over Libor for the seven years to the put option. It traded slowly at a price of 99.35.

Royal Trustco of Canada, that country's largest trust company, tapped the Eurosterling market for £30m with a five-year issue bearing a 12¼ per cent coupon at par. Lead managers are S. G. Warburg and J. Henry Schroder Wagg. The issue was regarded as being tightly priced by other new issue managers, and traded at a discount of around its 1¾ per cent total fees.

Hambros Bank launched a A$25m five-year bond for the Australian retailer G. J. Coles. The 13¾ per cent coupon was considered low by the market, and trading at a 1¾ per cent discount, the bond yielded 14.05 per cent.

Floating rate notes show good return

BY PETER MONTAGNON IN LONDON

FLOATING RATE notes (FRNs) offered the best total return in the dollar sector of the international bond markets with a total yield of 5 per cent during the first four months of this year, according to figures compiled by the U.S. investment bank Salomon Brothers.

The yield figure, which is not annualised, is calculated on the basis of total return including capital gain or loss from price movements in the secondary market as well as interest receipts.

In comparison, the study shows that holders of fixed rate dollar bonds fared very badly in the first four months of the year with secondary market prices falling as interest rates rose. Holders of fixed rate Eurodollar bonds suffered a total loss even after interest receipts of 1.8 per cent, while investors in U.S. Treasury bonds lost 5.9 per cent.

Floating rate notes offered a "respectable" return despite the market correction that followed an oversupply of new paper on very fine terms in the first two months of the year, Salomon says. Out of 41 international instruments surveyed FRN returns were exceeded only by those on French Government bonds and French franc Eurodeposits.

In dollar terms, French Government domestic bonds offered a total return of 5.1 per cent, while French franc Eurodeposits were top of the league with a return of 5.2 per cent.

Performance of individual categories of FRNs has, however, been mixed with British bank paper underperforming the market average to trade at a yield of 15 to 20 basis points above Libor (London inter-bank offered rate for Eurodollars) – up about 15 points from early 1984 levels.

Salomon says that a key factor behind this was the Bank of England's attempt to eliminate the double counting of bank capital. This results when banks issue subordinated notes, that count as capital, and at the same time invest in subordinated notes issued by other banks.

Other subordinated bank paper also fared badly, while paper issued by those national groups of banks – French, West German and Japanese – which habitually issue non-subordinated notes showed a much more stable pattern.

"Some Japanese and West German issues that are not subordinated, that will soon become seasoned (hence available for sale in the U.S.) and which have less exposure to Latin American debt problems than U.S. banks, appear undervalued," says the study written by two Salomon economists, Mr Jeffrey Hanna and Ms Gioia Parente.

Top-rated sovereign issues have also performed well, especially the short to intermediate dated paper for borrowers such as France, Sweden, Denmark and New Zealand. "It should be recognised, however, that this paper has already significantly outperformed the market, and most of the relative decline in effective margins over Libor has probably already occurred."

APPOINTMENTS

Senior posts at Watney Mann

WATNEY MANN & TRUMAN BREWERS has appointed Dr A. H. Button, managing director of Watney Combe Reid as a group director of WMTB. He is also appointed chairman of Truman Hanbury & Buxton and chairman and managing director of Watney Combe Reid. The appointment follows Mr M. S. Hodgkinson's move to become chief executive, contract services with Grand Metropolitan. Mr Jim Wilson, WMTB's property director since 1982 is leaving the company to establish his own business and property consultancy.

★

WATNEY MANN AND TRUMAN BREWERS has appointed Mr Frank Cokayne as director of product marketing based at the Brick Lane Brewery in London. He joins WMTB from the Imperial Group where he was director of marketing and planning for Imperial Hotels and Catering and brands director of Courage Brewing.

★

BENDIX has appointed Mr Gerald Burridge to head the company's quality function with the position of associate director, quality assurance. He was in control of advanced engineering projects.

★

TRANSFLEET SERVICES has appointed Mr Michael Noel to succeed Mr Hamish Paton as managing director. Mr Noel was sales and marketing director.

★

Mr Paul Wright, until recently container manager of the PLA at Tilbury, has joined the management of FURNESS WITHY (TERMINALS) and has been appointed to the boards of Mayflower Container Terminal, Southampton, and Walton Container Terminal, Felixstowe. The management team of Furness Withy (Terminals) has been restructured. Mr Derek Harrington remains at chairman but, to enable him to concentrate on overall management and development projects both in the UK and overseas, he has handed over managing director responsibilities to Mr Peter Bennett.

FINANCIAL TIMES SURVEY

CANADA

A new era is beginning in Canada. Mr Trudeau's successor as Prime Minister must seek new balances between English and French, between central and regional powers, and between economic nationalism and closer relations with the U.S.

Three men after Trudeau's job

John Turner (right) and Jean Chretien (centre) are contesting the leadership of the Liberals, the party in power. Brian Mulroney (left) already heads the Conservatives whom he will lead in an election campaign within the next few months.

BY W. L. Luetkens

AN ERA of Canadian history is ending. Mr Pierre Trudeau, Prime Minister since 1968 except for a short break in 1979-80, is leaving politics. His successor as head of the Liberal Party and almost certainly prime minister as well, will be elected this month.

What are the achievements of this much admired and much disliked man? Above all, he has served national unity: he staved off the threat that Canada would break up, raised by the return, in 1976, of a government of the separatist Parti quebecois in French-speaking Quebec. Its hopes of a sovereign Quebec were rebuffed in a referendum by the electorate of the province. But the PQ remains in power.

Mr Trudeau's answer to the aspirations of Quebec was to preach the principle of bilingualism in the federal administration and the exercise of "French power" at Ottawa. That meant the demonstration that he, as the son of a French-speaking father at the head of a solidly Liberal group of Quebec MPs, could ensure that the voice of Quebec was heard in federal affairs. But bilingualism still causes conflicts.

The Prime Minister never did get to grips with another regional dispute that divides the western provinces, with their resource-based economies, from the manufacturing provinces of the centre, Ontario and Quebec. Western alienation is clearly demonstrated by the failure of the Liberals to win any seats west of Winnipeg at the last general election.

Though Mr Trudeau has little regard for nationalism as such, his governments put through measures of classic Canadian economic nationalism. Direct foreign investment was made subject to screening by the Foreign Investment Review Agency (Fira). A National Energy Programme was enacted which was designed to wrest control of the oil and gas industry from foreign companies by 1990. That programme has gone wrong.

Mr Trudeau's economic management veered from the Keynesian to the conservative under the impact of worldwide inflation and the constraints of an increasingly unmanageable budget deficit. Success so far has been modest.

Principle

His foreign and defence policy was long on issues of principle such as Third World needs, yet could at times appear almost isolationist. He all but abandoned the Canadian role of "helpful fixer" in world affairs created by his predecessor, Lester Pearson, who used Canadian influence to smooth over international crises.

Yet at the end of his prime ministership, Mr Trudeau went back to that role with his brave but fruitless attempt to get negotiations for arms control out of the doldrums.

Where does all that leave Canada? And what may be expected from the men now vying to succeed Mr Trudeau? Three men stand out: Mr Brian Mulroney, leader of the Progressive Conservative opposition; and Mr John Turner and Mr Jean Chretien (the so-called *John and Jean show*), who are likely to fight out leadership of the Liberal Party between each other.

Not only Mr Mulroney, but also Mr Turner would take Canada on to a more conservative course than Mr Trudeau. *Despite several conservative* phases, the Prime Minister has never forgotten his almost social democratic political *origins*. Mr Chretien would probably go in much the same direction as the other two aspirants to power, but to a *lesser extent*.

It is impossible to be certain which of the trio—and, indeed, whether any of them—will come out on top. The Tory lead in the opinion polls has been drastically cut since Mr Trudeau's announcement that he would retire. *As things stand*, there will be all to fight for in the election expected this autumn, but in any case no later than February next.

Before considering the separate issues, it is worth noting that, like much of the rest of the world, Canada is on a conservative tack. Both major parties are aware of it. That has given rise to hope that a greater convergence of political views will lead to a more harmonious political process than that of the late Trudeau years.

But though some of the provinces, *especially British* Columbia, have turned fiercely against the welfare state, their example is unlikely to be followed with equal rigour in Ottawa. Mr Chretien, Mr Mulroney and Mr Turner have all declared in favour of the principle of "universality"—meaning that welfare benefits should not be means tested.

It is also worth noting that *whoever wins the next election* will not be able to escape from Canada's extreme dependence on the U.S. as a trading partner *and the base of companies that* own a substantial part of Canadian industry. Throughout its history as a self-governing state Canada has *felt* the pull of North American continentalism and experienced spasms of economic nationalism.

Whoever eventually wins the next election will inherit a Quebec problem much less acute than during much of Mr *Trudeau's period of power*. There is no immediate threat to national unity from that or any other source. The Parti *quebecois is out of favour* with the electorate, though one must not forget the powers of recovery it has shown in the past. *Quebec never will be a comfort*able partner in confederation, but has gained greatly in self-assurance. The chip on its *shoulder may have disappeared*.

Bilingualism continues to arouse passions among both the English and the French *founding nation*. A move to enhance the role of the French language in the provincial administration of Manitoba *failed dismally this year*. But very gradually the acceptance of equal rights for French is spreading not only among the politically aware classes.

All the campaigners are wooing the Canadian West, but whatever they do cannot solve the basic problems of that huge region embracing Manitoba, Saskatchewan, Alberta and British Columbia. *The first* problem is that the West is thinly populated: it elects only 77 of the 282 members of the Canadian House of Commons. Political battles are usually decided elsewhere.

In addition, the West is heavily dependent upon resource industries: farming, oil and gas, forestry, mining, fishing. When raw material prices *exploded in the 1970s* the West seemed to bidding for the economic leadership of Canada. It was not to be.

The *general softness* of oil and other resource prices hit not only the West. It has also caused a deep disturbance of the *entire Canadian economy*. Now that debt-ridden Third World nations are desperate to sell their own raw materials, *Canada can no longer rely on* its resources to bail it out, according to Prof Carl Beigie of Toronto University.

Maybe that is too gloomy an assessment: security of supply is a main selling point of the Canadian resource industries. *Recent events in the Gulf have* shown how quickly that could again become important.

The Canadian West never has been happy wtih economic nationalism which has its roots in a protectionist policy of the 19th century intended to promote the industrialisation of Ontario and Quebec. Mr Trudeau's National Energy Programme *infuriated* the oil-producing province of Alberta. The programme was based on the assumption that oil prices *would rise for ever*. Now that they have turned back, amendments are inevitable.

Exploration

The NEP's slant towards encouraging exploration in the expensive offshore and arctic regions has already given way to renewed activity in Alberta.

Similarly, the Foreign Investment Review Agency, a prime instrument of nationalism, is likely to become less of an obstacle to direct foreign investment. Mr Mulroney has asked for a signal that Canada once again welcomes foreign direct investment rather than foreign debt. Mr Turner thinks the same.

Mr Chretien has been more cautious, but the fact of the matter is that Fira, for some time now, has been a nuisance

CONTINUED ON NEXT PAGE

The French fact

WHO DISCOVERED Canada? The ancestors of Indians and Eskimos who arrived from than 10,000 years ago? Norsemen whose precarious settlement has been excavated on Newfoundland? Or nameless English, French and Basque fishermen who visited the rich fishing grounds off Newfoundland in the Middle Ages, alias John Cabot, who sailed from Bristol in 1497? Historians give the honour to none of these, but Jacques Cartier, from St Malo in France. His adventure 450 years ago will be thoroughly celebrated this month at Quebec City with festivities including a gathering of tall ships from Europe and Latin America.

In 1534 Cartier became the first European known to have penetrated beyond Newfoundland into the Gulf of St Lawrence. In subsequent journeys he took his cockleshell as far upstream as the present site of Montreal.

He took possession of these vast new lands for the King of France. From those beginnings there grew an empire which, at its peak in the 17th and 18th centuries, reached as far west as the Great Lakes and then southwards to the mouth of the Mississipi.

All that survives of New France is the French-speaking minority in Canada and more particularly the province of Quebec where the majority is francophone. Canada would not be Canada without its French. Their tenacious defence of their national identity has distinguished Canada profoundly from the ethnic melting pot of the U.S.

English-French tension is ever present in Canada, as is the constant need to bridge the gulf. May Quebec shopkeepers post up notices in English? Need a francophone in Manitoba pay a parking fine imposed by an unilingually English ticket? The questions are not flippant: they touch upon the fundamentals of any minority's relations with its government. Passions are aroused on both sides. But very gradually a greater measure of tolerance appears to be coming about.

Behind it all there lies the question of the future of Quebec. In the past 25 years the quebecois have gained tremendously in self-assurance; gone are the attitudes of a conquered people. The primacy of French has been assured in the Government and business world of the province. Since 1976 a government of separatists, at their head Mr Rene Levesque, is in power. It was re-elected in 1981, but neither that election nor the one in 1976 was fought on an openly separatist platform.

A few years ago the possible establishment of a sovereign Quebec seemed tantalisingly close. Now the separatists know that theirs is an uphill struggle. The issue will not disappear but economic recession has changed political priorities. So has the consolidation of French power in Quebec by the Levesque government.

So, above all, has the emergence of a new middle class which increasingly holds its own in North American business. It may succeed in safeguarding its French identity without embarking on a separatist experiment and without brooding on the past glories of New France.

CONTENTS

Editorial production: Michael Strutt

General election date a pressing question

Politics

BERNARD SIMON

AMONG THE most pressing decisions awaiting Canada's next Prime Minister will be to fix the date for a general election. In making his choice, the new leader (who will be elected on Saturday at a a special convention of the ruling Liberal Party) will have little room for manoeuvre and little time to judge the mood of the electorate. The election must by law be called before February 1985, five years after the last federal poll was held.

August and November are emerging as the most likely election months. Holding the poll as soon as possible after the convention has the advantage that the new Liberal leader will be able to conduct a campaign during what is bound to be a political honeymoon. He (or, remotely, she) will be able to delay unpopular decisions, while the short campaign will minimise the danger of a political setback, especially on the economic front.

On the other hand, the temptation to wait a few months will be considerable. The Queen is due to visit Canada in July and the Pope in September. It will be hard for politicians to resist the opportunities for pre-election publicity associated with these visits.

Timing

The outcome of the poll is even more uncertain at this stage than its timing. The two major parties are currently running neck-and-neck in opinion polls. The Liberals have managed to whittle away the big lead built up by the opposition Progressive Conservative Party last year, when the Tories' new leader, Mr Brian Mulroney, fired voters' enthusiasm.

The Government has benefited from the economic revival, especially in Ontario where, according to one recent poll, its support has risen from 31 per cent to 42 per cent since last November. The election campaign will probably centre on economic issues, although with a new prime minister and an almost-new leader of the opposition, many voters may be swayed as much by style as by substance.

Ontario, which elects a third of the members of the federal parliament, is usually the "swing" province whose result indicates the overall outcome of Canadian elections. In only three of 14 elections held since 1940 has any party managed to form a government without carrying a majority of Ontario ridings (constituencies). Ontario voters are a volatile bunch: of the 33 seats which the Progressive Conservative Party lost in the February 1980 elections, allowing the Liberals back into power, 19 were in Ontario.

In the coming campaign, however, each of the main parties is likely to concentrate much of its efforts in the other's strongholds. The Tories hold only one of 75 Quebec seats in the present parliament, but Mr Mulroney's ties with the province and a revamped party organisation there may put a dozen or so constituencies within the Tories' grasp in the next election.

Pierre Trudeau: whoever succeeds him as Prime Minister is likely to take Canada on a more conservative course

On the other hand, the Liberals will be trying to break into two of present areas of Conservative support—the West and the business community—especially if former finance minister John Turner wins the leadership race. Mr Turner spent much of his youth in British Columbia, while his years as a corporate lawyer in Toronto and his disagreements with Mr Trudeau have given him impeccable credientials among significant sections of the business community.

One feature of Canadian politics in the past year or two has been the decline of the New Democratic Party (NDP), the voice of labour, idealistic youth and the universities. The NDP has 32 seats in the present parliament but, according to the polls, its support has slumped since the last election from one-fifth of the electorate to a mere 11 per cent.

Like the country's weakened trade union movement, the NDP has become a victim of recession and a swing towards more conservative values.

With the NDP on the sidelines, the country's attention during the next few months will focus on Mr Turner, his main rival for the Liberal leadership Mr Jean Chretien (who stands to get a key Cabinet job even if Mr Turner wins the race) and Mr Mulroney. Below are brief sketches of these three men and their policies.

PROFILE: BRIAN MULRONEY, CONSERVATIVE LEADER

Wary of making promises

WHEN Brian Mulroney was elected leader of the Progressive Conservative Party a year ago, he generated much the same excitement in Tory ranks as Pierre Trudeau did among Liberals in the late 1960s. Good-looking and bilingual, Mr Mulroney was expected to invigorate the party and lead it to a landslide victory in the next general election.

Whether he can indeed accomplish that goal will be known within the next eight months. The fact is that much of last year's glitter has faded, to the point where the Tories are reckoned to be running neck-and-neck with the Liberals.

Mr Mulroney remains one of the most engaging political faces on television, and is working hard at drumming up support for his party across the country. He spends two or three days of most weeks campaigning outside Ottawa. He has scored high marks for taking a decisive stand on some divisive issues, such as freedom of choice in abortion—an emphatic no—and constitutional rights for French-speaking minorities—yes.

On the other hand, the new leader of the opposition, with no previous parliamentary experience, is no match in the House of Commons for experienced, sharp-tongued opponents like Mr Trudeau and his finance minister Mr Marc Lalonde. A series of organisational blunders, like not showing up at scheduled meetings and giving a rally-type speech at a private bankers' gathering, have not helped his image.

Mr Mulroney, 45, is a lawyer by training and one of the few Anglo-Canadians who has studied at a French-language university in the country—in Mr Mulroney's case, Laval in Quebec. After his defeat in the 1976 PC leadership race, he was recruited by Iron Ore of Canada, first as chief labour negotiator and since 1977 as president. Work in labour relations has taught Mr Mulroney the risks of putting all one's cards on the table early in the game, and he has been careful about making promises which a future Tory government may find difficult to keep. Indeed, his statements on most policy issues raise as many questions as answers. The following is a summary of Mr Mulroney's views on some issues:

The budget: Mr Mulroney hopes that strong economic growth and revamped mechanisms to curb government spending will hold down the budget deficit. But he has no intention of cutting back Canada's extensive social and welfare programmes.

Discriminate

Energy: Mr Mulroney has strongly attacked the nationalist National Energy Policy, but stops short of advocating its total abolition. Changes under a Tory government are likely to include a dismantling of NEP provisions which discriminate against foreign oil companies.

Foreign investment: The Tories are anxious to improve the climate for foreign investment in Canada, but Mr Mulroney has given few details on how that will be achieved. As in many other areas, he expects that the return of a Conservative government more sympathetic to business interests will, in itself, bring a change in sentiment. The Foreign Investment Review Agency is likely to be retained, but its operations would be streamlined.

Foreign Trade: Mr Mulroney wants to improve Canada's shrinking share of world trade. Various unspecified measures are contemplated to assist exporters. He is cautious, however, about making any commitment which would throw open Canadian markets to foreign suppliers, especially those in the U.S. While Mr Mulroney favours talks with the U.S. to expand trade in specific products, he wants to revise the free trade agreement in automobiles to give greater benefits to Canada.

Industrial policy: "We are going to create a new economic environment in Canada by making it clear that it is the private sector, not the state, that is the driving force of the economy," Mr Mulroney said recently. He has not spelled out, however, how this will be achieved, beyond a vague promise to step up government support for research and development, and to encourage training of young workers.

B.S.

PROFILE: JEAN CHRETIEN AND JOHN TURNER

The Liberal Party hopefuls

CANADIAN party conventions can be full of surprises, but unless all the signs are deceptive, the Liberals will on June 16 pick either Mr Jean Chretien or Mr John Turner to be their leader and, hence, the next prime minister. Whether the winner at the convention can go on to win the next general election is another question.

Two men could hardly be more unlike. Mr Turner, born of a Canadian mother in England 55 years ago, is suave, at times to the point of blandness. A lawyer associated in the public mind with Bay Street, in Toronto, where the financial establishment is supposed to congregate, he has silver-haired good looks. Mr Chretien, with a rasping voice and an engagingly pugnacious manner, likes to dwell upon his humble origins as the "little guy" from Shawinigan in rural Quebec.

Mr Chretien, aged 50, has often been seen as the henchman of the present Prime Minister, Mr Pierre Trudeau, in a succession of cabinet jobs. As Minister of Justice, he played a key role in Mr Trudeau's pet project, the adoption of a purely Canadian constitution and the abolition of the residual colonial power over Canada of the British Parliament.

Mr Turner, a former Rhodes scholar, initially was Mr Trudeau's rival for the party leadership. He served under him for a while but broke with Mr Trudeau in 1975. He resigned as Finance Minister, left politics and bided his time. The precise reason for his resignation remains a bit of a mystery.

Differences

The differences between the two candidates colour the attitudes that they have taken in the struggle to succeed Mr Trudeau. Mr Chretien stresses his varied experience in cabinet. Mr Turner has cautiously but unmistakeably distanced himself from the Prime Minister. A résumé follows of what the two men have said on key issues.

Budget. Mr Turner has undertaken to reduce the yawning deficit by about half in five to seven years. Mr Chretien has remained closer to the established Liberal tradition in Canada. He would not cut the deficit for the sake of cutting, he says, with no regard for the social cost.

Energy. Mr Chretien has voiced outspoken support for the strongly interventionist National Energy Program, though not necessarily lock, stock and barrel. As the minister in charge of the programme he could hardly do otherwise. Mr Turner has publicly supported the basic assumptions of that policy, but has made clear that he wants to see some changes.

Foreign Investment. Mr Turner has called for further relaxation of the severity with which potential direct foreign investment is screened by Fira, the Foreign Investment Review Agency. Mr Chretien makes no bones about wishing to improve the "quality" of incoming investment. "I like Fira," he has said disarmingly.

Freer Trade. Canada cannot allow the U.S. to dictate Canadian economic policy, Mr Turner says, with a bow to the nationalists. But he would support making a study of the possibilities of freer trade with the U.S. in certain goods, along the lines of the existing pact permitting the duty-free exchange of automotive goods across the Canadian-U.S. border. Mr Chretien says that, in principle, he supports free trade. But Canada must be able to retaliate in kind against those who apply quotas and non-tariff barriers against her.

Industrial policy. Mr Turner would deregulate some industries and privatise some unspecified state-owned corporations. State-owned aircraft companies, he believes, should try to get out of the red by concluding co-production agreements with partners abroad.

Mr Chretien, too, would sell off crown corporations — if it were in the national interest and if buyers could be found. He has said the time is not ripe for the Government to cut its losses in the aircraft industry.

Neither man would wish to sell off the state-owned oil company, Petrocan, though Mr Turner might privatise its retail outlets.

W.L.

A need to seek new balance

CONTINUED FROM PAGE 1

rather than a barrier to foreign investors.

Canadian trade policy may also retreat from nationalism, though the indications so far are tentative only. The Trudeau Government has taken up with Washington the possibility of agreements for sectoral mutual free trade, allowing the duty-free passage across the mutual border of selected goods.

At the moment, however, it is hard to see what the U.S. would stand to gain, seeing that Ottawa is likely to pick on those sectors where the advantage of free trade would lie with Canada. Some Canadian observers expect the U.S. to go the whole hog and offer Canada a full free trade area. That is something Canada is likely to shy away from, however much it might suit the resource provinces in the West and extreme East.

In the more immediate field of economic management, whoever wins the next election will have little option but to continue and probably intensify the drive to reduce budget deficits, at present in the range of 6 per cent of GNP, being conducted by Mr Marc Lalonde, Minister of Finance.

Interest rate policy will have to follow closely events in the U.S., as is always the case in Canada. The Bank of Canada has been threading its way between the perils of a steep rise of interest rates—which would stifle the halting recovery of the economy that began last year—and that of a severe depreciation of the currency. Boosting the inflation rate above its current 5-6 per cent would be equally fatal to recovery.

Canada is too closely tied to the U.S. to be able to "decouple" from events there, unless it is willing to accept a lower standard of living. That must also place limits on the degree of independence that Canada can exercise in the fields of foreign policy and defence.

These issues have not been played up in the jockeying to succeed Mr Trudeau. Some points, however, are worth noting. Mr Mulroney has called for higher defence spending: his shadow minister of defence, Mr Hervie Andre, says that the armed forces of 81,000 men and women need to be increased by 10,000-12,000, some of whom might be stationed in Europe.

Though he has not always been enamoured of Nato, Mr Trudeau, with Conservative approval, has permitted the U.S. to test cruise missiles in Alberta.

Yet people in both parties agree that many Canadians are unhappy about the policies of the Reagan Administration, especially those towards Central America. That may have been an added reason for Mr Trudeau's revival of Canada's role as "helpful fixer."

Whether that role can be played after his departure will depend on whether the successor can establish his position not only in Canada but in the eyes of the world.

STANDING OF PARTIES IN THE HOUSE OF COMMONS	
Liberal Party	145
Progressive Conservative Party	100
New Democratic Party	31
Independent	1
Vacant	5
Total	282

The economy is expanding again but growth forecasts may have to be revised

U.S. interest rates put recovery at risk

Economy

W. L. LUETKENS

RECOVERY FROM the deepest post-war recession experienced in Canada is endangered by the prospect of U.S. interest rates rising again.

Last year the economy grew by 3 per cent (net of price increases), after having contracted by 4.4 per cent in the year before. For 1984 the forecasts initially were in the range of 4-5 per cent growth. That will probably have to be revised downwards by as much as a whole point. The first quarter was poor: the weather was unusually cold, inhibiting outdoors construction. Severe labour disputes in British Columbia further kept down output.

The prospect that these temporary setbacks could be made good during the rest of the year received a blow when the prime rate of U.S. banks began to rise in May, opening up the likelihood that Canada would have to follow to protect the exchange rate of the Canadian dollar.

It is possible that the forecasters have over-reacted to the increase of U.S. prime rates in May. But the fact of the matter is that the revival of 1983 was not very firmly based. It overlaid but did not remove the structural weaknesses that caused the preceding recession to be especially deep.

Those structural weaknesses were caused by the weakening of world energy prices. Canada is a net exporter of energy and expectations that the price of oil and gas would continue to rise were the basis for a huge investment programme and for exaggerated hopes of the future. They collapsed with the world oil price and it will take time for the Canadian economy to adjust to the new environment.

Fears that interest rates would once again take off to match those in the U.S. therefore hit like a wave striking an already unsteady ship. Prospects that relief can come from a more accommodating fiscal policy are poor indeed.

Mr Marc Lalonde, the Finance Minister, intends steadily to reduce the federal budget deficit from some 6 per cent of GNP this year, and the ten provinces are economising, in some cases fiercely.

Mr Lalonde's reasons are mainly fiscal, but he is also trying to create more room for manoeuvre for the private sector. It remains to be seen whether his objective can be achieved: higher interest rates will increase an already heavy burden of debt service.

Two of the three front runners to head a government after the next election—Mr Brian Mulroney, leader of the Conservatives, and Mr John Turner, a contender for the leadership of the Liberals—both have made a reduction of the deficit their first priority. Mr Jean Chretien, Mr Turner's strongest opponent among the Liberals, has shown a little less enthusiasm for deficit cutting at a time of high unemployment.

For unemployment, as in many other countries, remains high in spite of the end of recession. The unemployment rate has come down from 12 per cent last year to prospective average of 11 per cent in 1984. That means that some 1.5m people are unemployed.

High though the figures are, they obscure the fact that Canada has a good long-term record in the creation of jobs. The number of people in employment at the end of April was 10.7m, about the same as before the recession struck. At the end of April 1983 only 10.4m people were employed.

Unemployment is not the only blot on the recovery of 1983; the quality of growth was not of the highest. The main source of expansion was export demand from the U.S. On the domestic side the expansionary factor was demand for consumer durable and, especially, for cars. In the Canadian climate with its fierce winters and thousands of tons of salt spread on icy roads the life of the average car cannot be extended beyond a very few years.

Business investment intentions have signally failed to respond to the economic revival of last year. The latest survey of investment intentions published by Statcan, a federal agency, pointed to no nominal change from last year's wretched levels. Allowing for probable price increases, that actually threatens a 5 per cent real drop.

Forecasts of this kind can easily be overtaken by events, but Canadian economists are widely agreed that there is no hope that a surge of business investment will make growth self-sustaining. For a start, capacities are nowhere near to being fully employed. Besides, real interest rates—even before their recent increase—where high enough to act as an deterrent.

There is a further reason for going slow. Managements are concentrating as their first priority upon consolidating corporate balance sheets. Interest payments expressed as a ratio of cash flow began to fall steeply around the end of 1982. About the same time the debt: equity ratio, which had risen steeply, turned around.

Since then corporate profits have also picked up from their previous low levels, though the improvement differs widely by sectors. The oil industry is doing better, steelmakers have eliminated or at least reduced losses. The motor industry has returned to profit. The pattern was completed by a strong stock market in 1983 (which has since gone into reverse). It enabled corporate treasurers to raise new equity to repair the damage recession had done to their balance sheets.

The process of consolidation has extended also to the inflation front. In 1982 the consumer price index rose by 10.8 per cent. Last year that was down to 5.8 per cent and the forecasts for this year and next speak of a further decline towards 5 per cent. Wage settlements have been moderate.

Th Government appears to be succeeding with its intention to limit public sector increases to 6 per cent last year and 5 per cent in 1984. Under the influence of high unemployment private sector wage increases are, if anything, below that. Though a programme limiting public sector wage rises expires this year, there are no present fears that it will be followed by a reversion to more inflationary settlements.

As things are going the inflation rate and the rate of wage settlements are still higher than those in the U.S., but are at least within hailing distance of them. The differential is not enough to explain the sudden decline of the Canadian dollar from an exchange rate in the range of 80-82 U.S. cents to 77-78 cents more recently.

Nor is the current account obviously at fault. Canada traditionally has a current account deficit which was wiped out as import demand tumbled during the recession. Last year produced the second successive surplus, though this year a balanced current account or a modest deficit are expected.

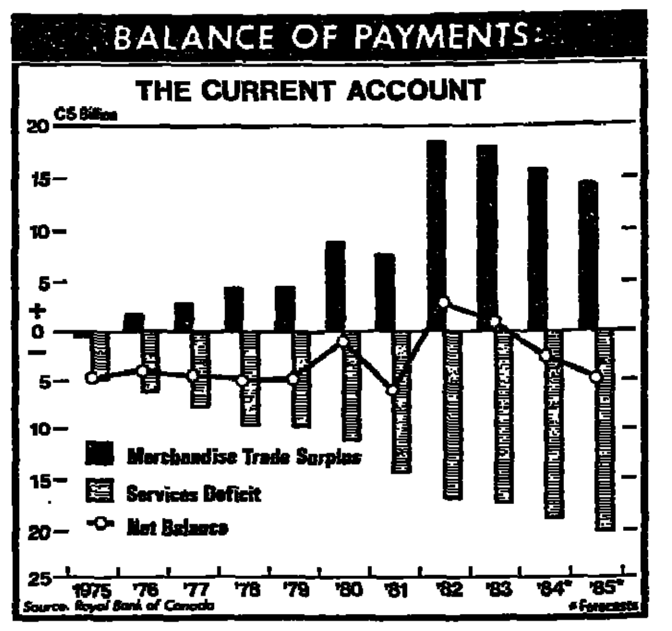
That, again, is probably not enough to explain the decline of the exchange rate in the early months of this year. A more cogent explanation may be that markets expected to see U.S. interest rates rise more quickly in future than those in Canada. That would encourage a capital outflow from Canada.

Much will depend on how the Bank of Canada conducts itself in the coming months. It may be taken as axiomatic that the central bank and the Government cannot afford to permit a grave weakening of the currency: it would merely feed back into the Canadian system in the form of faster inflation, given Canada's heavy dependence upon imports. Imports of goods and services were equivalent to 28 per cent of gross national product in 1983.

The bank has not, however, used interest policy to mount a last-ditch defence of the dollar. It has distributed the pressure, allowing the dollar to decline a bit and interest rates to rise a bit. As long as it retains sufficient freedom of manoeuvre, its policy is likely to be to avoid sharp fluctuations of both variables.

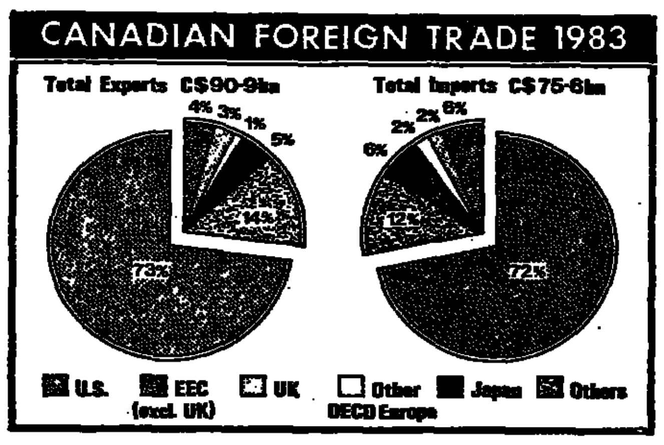
This presupposes U.S. rates remaining half way under control. Though some economists in Canada are attracted by the idea of "de-coupling" from the U.S. by imposing an interest equalisation tax or some similar device, they admit that it is not practical politics under circumstances that are at all likely to arise. Canada is too closely bound to the U.S. economy; more than two-thirds of Canadian exports go to the U.S. and more than two-thirds of the imports originate there.

There is, however, another side to the coin. To the extent that high interest rates in the U.S. are a function of strong demand there, they indicate that Canadian export prospects should be good. That should help to tide Canada over the period of reduced growth in prospect for 1985.



Source: Royal Bank of Canada

*Forecasts



Flirting with duty cuts

Foreign trade

BERNARD SIMON

IF CANADA'S post-Trudeau government is eager to break with the past by pursuing fresh, bold policy initiatives, one area that may come under scrutiny is the country's trading relationship with the U.S., and specifically the issue of a comprehensive free trade agreement.

Ottawa has up to now been careful not to stir up the free trade issue, one of the longest-running controversies in Canada-U.S. relations. The U.S. accounts for three-quarters of Canada's foreign trade, and any suggestion of a free trade area has in the past raised fears that Canada would lose more than it gained.

In a major review of foreign trade policy published last September, the Government affirmed that "the evidence to date of the need to proceed is not convincing, nor does a call for free trade command broad support. Most assessments tend to highlight the economic advantages for Canada without taking full account of the costs or consequences, both political and eceonomic."

Opponents of free trade fear that U.S. dominance of shared institutions will undermine Canada's political sovereignty. They argue that the removal of tariffs will discourage investment in high-cost Canadian industries, while heavy American ownership of Canadian production facilities will add to the pressures to shift capacity south of the border.

There is ample evidence, however, that free trade is a less emotive issue than it used to be. A recent recommendation by the Ontario Economic Council, a group funded by the provincial government, that a free trade zone be encouraged, raised barely a murmur in the business community.

With the notable exception of Ontario (where most of the industries which would have to compete with cheaper imports from the U.S. are located), most provinces favour liberalised trade links with the south. Alberta wants wider markets for its beef and petrochemicals. Quebec and the eastern provinces would like to import cheap goods from the south while expanding markets for their own products, and so on.

The most wide-ranging free trade experiment tried so far, the 1965 automotive products trade agreement (Autopact), has undoubtedly brought more benefits than costs to the Canadian economy. Although Canada suffered a large deficit in automotive trade during most of the 1970s as demand declined for big cars produced in Canadian plants, few dispute that the Autopact has facilitated substantial investment in the local motor industry and the creation of thousands of jobs.

Once tariff cuts agreed during the Tokyo round of multilateral trade negotiations are complete in 1987, more than 80 per cent of Canada's exports to the U.S. will enter duty-free. While tariffs still restrict access to the U.S. market of products such as clothing, forest products and processed fish, the focus as in trade negotiations worldwide, is switching to non-tariff barriers.

The Trudeau government has favoured a gradualist approach, to further negotiations with Washington. Earlier this year, the two countries opened talks (which have not yet reached the status of negotiations) on free trade in four specific sectors.

Two of the categories under discussion — special steels and government procurement policies with special reference to urban transport equipment — were proposed by the Canadians. The U.S. put forward the other two, namely farm machinery and a nebulous group of items known as informatics, which includes some forms of computer software and telecommunications equipment.

Ottawa is anxious that efforts to liberalise trade with the U.S. should not be seen as a loosening of its commitment to multilateral negotiations to lower trade barriers. Viewing institutions like the General Agreement on Tariffs and Trade (GATT) as important instruments to protect the interests of second-tier trading countries, the Canadians participate actively in work on safeguards, subsidies, government procurement policies, resources trade and so on.

Canada has publicly offered to bring forward Tokyo round tariff cuts by one year, provided other parties do likewise. It favours a new round of multilateral trade negotiations based on work currently taking place within the framework of GATT.

This commitment has not prevented Ottawa looking after its own interests, when necessary. The Government recently announced an extension of quotas on footware imports and talks with Japan on a renewal of automobile quotas are stalled as Canada tries to link a quota increase to investment by Japanese car makers and parts manufacturers in local production facilities.

Meanwhile, the Government is in the process of revising its export priorities. About 15 foreign markets were identified in the late 1970s as good growth areas for Canadian products. They included the U.S., Britain and various Pacific rim countries.

Britain will almost certainly remain on the list. The department of international trade will shortly publish a market profile of the UK for Canadian exporters.

Nonetheless, Canada-UK trade links are not what they used to be. Canada is Britain's 14th largest market, and the UK's share of Canadian imports has slid from 11 per cent to 3 per cent since the mid-1960s. Ever

Careful vetting policy to continue

Foreign investment

BERNARD SIMON

FEW POLICIES of the Government which rules Canada in the post-Trudeau era, whether Liberal or Conservative, will be more closely watched outside the country than its attitude towards foreign investors.

The door to foreign business has been opened wider in the past year or two following the hostility caused by the National Energy Programme and the drive for greater economic independence in the late 1970s and early 1980s. From the little that has been said on the subject lately, it seems that —whichever party wins the next general election—this trend will continue.

But investors should not throw their hats in the air just yet. The improvements are likely to be incremental rather than fundamental. It will be a major surprise if even the Conservatives dismantle completely the vetting and policing machinery over foreign business set up during the Trudeau years.

Neither of the two frontrunners for the Liberal leadership has spelt out his policy towards foreign investment in any detail. But both Mr John Turner and Mr Jean Chretien have praised the contribution of foreign investment to the economy and hinted at a policy that will encourage rather than turn away new ventures.

Likewise, the Conservative leader Mr Brian Mulroney said recently that a Tory government plans to put the Foreign Investment Review Agency (Fira), the Government body which oversees the establishment of foreign-owned ventures in Canada, "on the back-burner."

But in an indication that foreign businessmen should not expect radical change under the Tories, he added that "we'll have some kind of monitoring agency to tell me where the thrust of new investment is and the sensitive areas of our economy, such as broadcasting and the banks." One Tory change may be to include Canadia business representatives in the investment-vetting process.

A recent survey by the Ottawa-based Conference Board of Canada showed that more than half of foreign-owned companies with interests in Canada are critical of the present government's investment controls. One in every six of those polled which decided not to invest in Canada cited official controls as the first or second most important factor in their decision.

There are several pointers, however, to support the view that Fira's bark is worse than its bite, and that even its bark is not that fierce. Mr Gordon Dewhirst, the agency's director-general for policy, research and communications, notes that "under present circumstances, it is probably easier to get investment proposals through." He refers to Canada's high unemployment rate, which makes almost any proposal holding out the prospect of new jobs likely to be given the green light.

The proportion of applications approved by Fira has risen from a low of 71 per cent in the year to March 1982, to 84 per cent in the first two months of this year. The number of applications has also increased significantly, from an average of around 650 cases a year in 1980-82 to 954 last year and 177 in the first two months of 1984.

The red tape facing potential investors was unravelled a little last year by amendments to the Foreign Investment Review Act. Proposals to acquire a Canadian company with assets of less than C$5m and fewer than 200 employees are now eligible for a simplified "short-form" application process. The previous ceiling was C$2m and 100 employees.

The shorter process also applies to indirect acquisitions (where a foreign-controlled Canadian business changes hands through a foreign merger or takeover), provided the Canadian company has gross assets of less than C$15m and fewer than 600 workers. (Fira approval is not required for portfolio investment, nor for the expansion of existing operations by foreign-controlled companies.)

The shortened application form is one of several steps taken by Fira to speed up the review process. According to Mr Dewhirst, four-fifths of applications are handled within 60 days of submission and almost all the rest go through within 90 days.

Acceptable

On the other hand, the rising proportion of approvals and the speed with which applications are handled may also be a reflection of investors' heightened awareness of what is and what is not acceptable to Ottawa.

Foreign companies are normally not allowed to acquire known oil and gas reserves without Canadian partners or a commitment to further exploration. Among the few proposals turned down in recent months was the acquisition by Sumitomo Corp. of Japan of a minority interest in a new coal mine in north-east British Columbia. Fira apparently objected to the large stake in the project already held by foreigners.

Despite the restrictions imposed by Fira and the NEP, Canada continues to attract substantial amounts of foreign capital thanks to its stable political environment, proximity to the U.S. market, the absence of exchange controls, sophisticated financial markets and pleasant living conditions.

The decline of the Canadian dollar has created an additional incentive, while the recession's squeeze on cash flow and profits has prompted many small and medium-sized Canadian companies to look for foreign partners or suitors. Generous federal and provincial financial assistance is given to buyers, including foreign ones, of plants closed during the recession.

Canada's dependence on foreign capital is greater than that of any other developed country. According to official data, foreign companies control about half the assets of the mining and manufacturing industries. Their share rises to 90 per cent in some sectors, such as tobacco and rubber products.

Five of Canada's top ten companies are foreign subsidiaries, all but one of them (Shell Canada) U.S.-owned. U.S. companies currently account for about 80 per cent of total foreign investment, far ahead of Britain, the next largest country of origin, which has a share of less than 10 per cent.

The British government is actively encouraging companies to invest in Canada, not only in the hope of raising UK exports, but also to give themselves a better chance of participating in areas of likely expansion in the Canadian economy over the next decade, notably energy, mining and transportation. About 300 British manufacturers already have direct investments in Ontario alone, and the number seems likely to grow substantially over the next few years.

FOREIGN DIRECT INVESTMENT IN CANADA—1979-1983

	1979	1980	1981	1982	1983
	millions of dollars				
Gross capital inflows	+2,909	+4,227	+4,669	+3,200	+3,025
Sale (1) of existing interests in Canada to non-residents	+ 72	+ 4	+ 66	+ 151	+ 336
All other (2) capital inflows	+2,837	+4,223	+4,603	+3,049	+2,689
Gross capital outflows	−2,159	−3,427	−9,069	−4,623	−2,825
Acquisition (1) of interest from non-residents	− 767	−1,731	−7,576	−3,483	−1,707
All other (2) capital outflows	−1,392	−1,696	−1,493	−1,142	−1,118
Net capital flow	+ 750	+ 800	−4,400	−1,423	+ 200

(1) Represents flows of capital between foreign direct investors and third parties from the sale or acquisition of existing interests in Canada.

(2) Represents long-term capital flows between foreign direct investors and their direct investment enterprises in Canada.

Oil and gas industry struggles with setbacks

Energy

W. L. LUETKENS

THE OIL and gas industry in Canada is recovering from the twin disruptions of a strongly interventionist and nationalist regualtory regime and the retreat of world prices. Demand for its products, especially for natural gas, remains reduced.

Under then ifluence of a favourable pricing agreement between the federal Government and the oil province of Alberta, the number of wells drilled in the Canadian West rose to a record last year. Oil from wells drilled before 1974 gets a well head price of C$29.75 (about US$23.05) a barrel. That means 80 per cent of w orld price for 60 per cent of output. Oil from younger wells, oil extracted by methods of enhanced recovery, and oil extracted from the tar sands of Alberta gets world price.

For Canadian consumers that meansa price, reached by "blending" those two prices with that of imported oil, some 10 per cent below the price of foreign oil delivered to Montreal.

The new pricing agreement went a long way towards satisfying an industry that, since the oil shock of the early 1970s, had laboured under the Canadian Government's determination to keep the Canadian price well below world levels. The industry, however, is not satisfied with the National Energy Program introduced by the Trudeau Government in 1980. The underlying assumption of the NEP was that energy prices would continue to rise. They did not. Its two purposes were to achieve self-sufficiency in oil for Canada by 1990 and to have 50 per cent of the industry under Canadian ownership by that date instead of 28 per cent in 1980.

Self-sufficiency has been achieved, though hardly in the way in which the authors of the NEP intended. Conservation and lagging home demand attributable to reduced economic activity made Canada a net exporter of oil last year. But since the Alberta oilfields are approaching their decline that is probably a fleeting phase.

Progress towards the Canadianisation of the industry has been equally problematical. The degree of Canadian ownership has been increased to 38 per cent by a succession of takeovers which have left at least one Canadian company, Dome Petroleum, overburdened with debt. The burst of takeovers came to an end in 1982, though one or two possible targets remain.

Active

The chief of these is Gulf Canada, an active performer in Arctic and off-shore exploration, whose future may be affected by the take-over of its U.S. parent by Socal. At least in theory the Canadian Foreign Investment Review Agency could investigate whether benefit will accure to Canada by having Gulf Canada go to Socal. If Fira finds that there is no benefit, the Canadian Cabinet might legally be in a position to ask for a divestiture. Whether doing so would be practical politics is another question.

The NEP encourages Canadianisation by a number of measures, the chief of which is a graded system of grants to encourage exploration in the Canadian North, off the East Coast, and in the Beaufort Sea, east of Alaska. The higher the degree of Canadian ownership in the company concerned, the better the grant. There is also the so-called back-in facility. This provides that at any time until production has been authorised, the state-owned oil company, Petrocan, may claim a 25 per cent share in any field developed in those areas without having to pay for the costs incurred up to that moment.

This back-in facility infuriated the largely U.S.-controlled industry and caused some tart exchanges with Washington. It may not survive the election due by the middle of next February. Mr Brian Mulroney, the Conservative leader, has said he would abolish it.

Back-in notwithstanding, the system of incentives initially attracted exploration activity away from Alberta to the offshore and the North. The cost to the federal treasury is heavy: there are estimates that over its whole life to 1986 the programme will cost more than C$4bn. Changes then seem inevitable. The rewards have been considerable, if one looks at gas and oil discovered. But the return, so far, is nil. No gas or oil has been brought to market from the East Coast, the Beaufort Sea, or the Arctic. Should market conditions improve, that might change, but not before the late 1980s or late 1990s, depending on the area.

Drilling

By the end of 1982, 7.5 trillion (million million) cubic feet of gas has been found in the Beaufort. For purposes of comparison, last year's total domestic Canadian consumption amounted to 1.5 trillion cubic feet. Several pools of 100m barrels of oil have also been found in that inhospitable area, where drilling is possible only in the high summer. One of the companies involved suggested recently that the discovery of one more such pool would justify laying a pipeline. A find was duly announced, but no more has been heard of the matter.

In the Arctic Islands 13.5 trillion cubic feet of gas have been found, but there is no certainty whatever when and how the gas will be brought out. Algeria and the North Sea are closer to European markets and the Canadian Atlantic coast is closer to the U.S.

The Atlantic finds are shared between Hibernia, east of Newfoundland, and Sable Island, off the coast of Nova Scotia. In the Hibernia region a field of 300m barrels of oil has been found. Officials hope that it can go into production by 1987. Gas associated with the field would for a start be re-injected until it is required. Officials also have hopes that Sable Island, with 3 trillion to 4 trillion cubic feet of gas, can be on stream by 1987. Independent analysts are not so sure.

For the time being production from the existing gas fields in the West is heavily reduced because of a glut on the U.S. market which has been taking about a third of Canadian output. Officials hope that this "bubble" will have burst by the late 1980s. Meanwhile, Ottawa is authorising incentive pricing to bring exports from last year's 800m cubic feet closer to the permitted level of about 1.3 trillion feet.

The exploration work required to make all these finds has at least provided some support for economic activity, especially in Nova Scotia. But it has not in any way matched hopes pinned on huge energy-related megaprojects which at one time were expected to keep Canada booming.

Back in profit after difficult road to recovery

Forest products

ROBERT GIBBENS

CANADA'S FOREST products industry is well into the second year of recovery from the drastic downturn of 1982. Market pulp and newsprint prices will rise on July 1 and possibly again early in 1985, and by the year-end the industry's profits should be near the 1981 peak.

The road to recovery has been difficult, and with wide variations in conditions between east and west. Labour problems have been dominant in the west in the past quarter, but employment contracts will probably not be settled in the east until well into the summer. Expensive modernisation programmes are needed to save some older eastern mills, such as the Corner Brook plant of Bowater in Newfoundland.

Overall the industry's finances are firmly on the mend and companies can once again plan investment in cost-competitiveness and in the higher quality products that the market is demanding.

The first signs of recovery came near the end of 1982 when North American housing starts responded dramatically to lower interest rates, pushing up demand for construction lumber. Market pulp and newsprint caught the benefits of strong U.S. demand only in the last quarter of 1983. In November the mills were runing at around 95 per cent of capacity for the first time since 1981.

By early February this year, British Columbia's 20 pulp and newsprint mills were hit by a labour dispute. The unions were at loggerheads with the companies, with themselves and with the provincial government's economic policies. After a nine-week shutdown the provincial government imposed a three-year settlement, with a wage standstill in the first year, a 4 per cent pay rise in the second and a 4.5 per cent increase in the third.

In all, Canada's newsprint capacity is about 10m tonnes of standard grades, around 1m tonnes of specialties and other upgraded forms, plus about 250,000 tonnes of lightweight coated papers. More than two-thirds of these products were exported to the U.S., providing the forest products industry with the bulk of its revenues and profits.

The western mills are geared more to market pulp and lumber, and mainly because of this factor, they felt the impact of the 1982 recession more severely than those in the east with more diversified production.

The force of the consumer-led recovery in the U.S. and surprisingly high levels of prosperity in the U.S. publishing industry have led to the high operating rates in the Canadian mills this year. With the western mills back in operation and assuming no strike in the east, the average national operating rate in newsprint for all 1984 should be over 90 per cent, with some companies reaching 95 per cent.

Producers are concerned about the danger of higher interest rates, but investment plans are being looked at again in anticipation of a full recovery in earnings in 1985. However, this time the emphasis is not on building new capacity, but on increasing efficiency from the woodroom to the coating machines.

It will be many years before the experience of 1981-82 is forgotten. Five or six large new newsprint machines came into operation in North America just when the economy was tilting into the deepest recession since the thirties. Many companies were caught with excessive debt loads which have still not been worked off.

Gains

In the west, the trend is towards further rationalisation in the lumber industry, conversion of some standard-grade newsprint machines to upgraded products, and to further gains in energy efficiency. In the east, the older mills still need modernisation, and some standard-grade machines are also being switched to upgraded newsprint.

Around C$2bn (£1.12bn), partly met by government subsidies, has been invested in the east to modernise pulp and newsprint mills in the past three years, and a similar amount remains to be spent to make the industry competitive at the present exchange rate of about U.S. 80 cents to the Canadian dollar. A large part of Canadian forest products companies' earnings in the past decade has come from exchange profits on U.S. sales.

The Canadian industry has finally decided that the computer age will not bring about the once forecast decline in office paper usage. Every study in the past two years has shown that fine papers, or office, copying, computer and writing papers, will meet steadily rising market demand.

Domtar is committed to a C$900m investment programme over the next five years to

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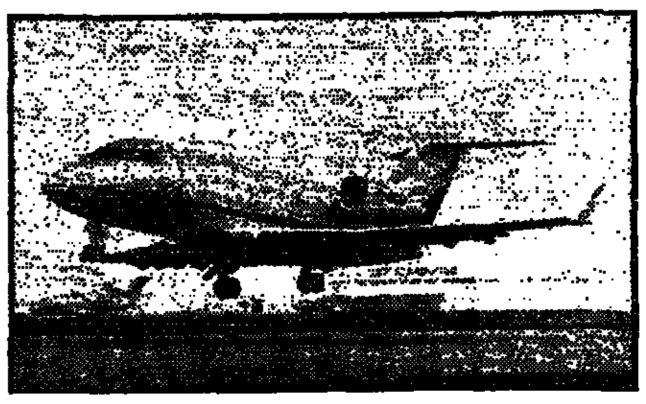
Some signs of pick-up in general aviation

CANADA'S aerospace industry, divided about equally between Ontario and Quebec and with a sprinkling of plants in the Western provinces, is beginning to climb out of the turbulence caused by the long world recession.

The industry is highly fragmented and made up of about 125 companies making airframes, engines, components of every kind from electronics, avionics, to hydraulics, communications systems, simulators, fuel systems and so on. Repair and overhaul of engines and airframes is a major activity, both military and commercial, and many companies directly support the world's second largest general aviation fleet.



The Canadair Challenger executive jet; faces intense international competition.

Those companies leaning heavily on defence-related business have come through the recession without much difficulty, since much of their production is for export to the U.S. The electronics and avionics group has remained profitable.

But those relying on the commercial markets, particularly the two major airframe makers, Canadair, in Montreal, and De Havilland Aircraft Canada, in Toronto, came near collapse. Only Federal Government funding totalling some $1bn, plus similar amounts of accumulated debt written off, have saved them.

Fortunately some signs of a pick-up in the world general aviation market and the more specialised executive jet and commuter aircraft markets, are appearing. The Government claims that these two companies, sized down to current realities, may be stabilised this year and begin the road back to profitability in 1985.

The Government is continuing its studies of the longer-range future of these two companies, but both the Federal Liberals and the Conservatives are committed to keeping them alive for policy and strategic reasons. Their refinancing has not yet been completed but all their new borrowings, as well as what remains on their books, remain a direct government responsibility through a public-sector holding company.

The slump in general aviation also brought a 25 per cent drop in sales at Pratt & Whitney Canada, Montreal, the world's largest manufacturer of small turboprop and fanjet engines. But recovery is well under way, and the company is adding to its research activities in both Montreal and Toronto to develop several new-type engines for fixed-wing aircraft and helicopters.

The troubles of the airframe companies have been traced to the Federal defence policies of the 1970s when Canadian military spending was allowed decline in real terms and when some experts believed that Canada could compete effectively in the large executive jet and commuter aircraft markets internationally.

A strong and consistent defence load was missing in these years, and both companies failed to get their commercial machines on to the market swiftly enough before recession broke.

When it did burst, the plight of Canadair and DHC became a hot political issue, but shouts of outrage and blame in the House of Commons in Ottawa could do nothing to revive the international market or ease the pain of layoffs and restructuring.

The crisis was the worst for the aerospace industry since the Avro Arrow debacle of the late fifties, only this time the exodus of design and manufacturing talent to the U.S. was minor.

In 1981 the Aerospace Industries Association of Canada could issue rosy forecasts of growth through to 1986, when total industry volume was to reach more than C$7bn, employment more than 51,000 and capital spending $135m. Industry research and development from 1976 to 1981 averaged

Aerospace

ROBERT GIBBENS

some 10 per cent of sales, funded on average about one-quarter by the Federal Government, and was to sustain that pace.

The targets have had to be stretched a year or so and the $7bn volume figure is now set for 1987. Employment declined to about 38,000 last year from 41,000 in 1982, but is forecast to reach 50,000 in 1987.

Last year the industry had volume of around $3bn, with $2.6bn in exports, compared with $2.8bn and $2.4bn in 1982, and $2.7bn and $2.1bn in 1981. The first billion was passed in 1976. Generally, exports of aerospace products have exceeded imports of airliners, general aviation aircraft, helicopters and military machines.

Unsatisfactory offsets were one major reason why Canada decided not to invest a projected $500m in the Airbus A320 150-seater airliner project.

Between 1980 and 1982, two industry - government teams investigated the potential for the Canadian light aircraft industry. They found this sector highly competitive at the international level, with slim margins.

However, Canada was using more and more helicopters, all of them imported. So the Federal Government late in 1982 asked eight companies in five countries to submit proposals for helping Canada set up a helicopter design and manufacturing capability. Soon the Government had eight responses.

Already the commercial helicopter population in Canada was around 1,500, plus 200 military units. World sales from 1982 to 1992 were put at 15,000 to 16,000, double the level of 1970-80. And Pratt and Whitney Canada was already a specialist in twin-turbine helicopter power units.

Thus Bell Helicopter Textron's plan for an autonomous helicopter manufacturing operation to be located near Montreal was accepted, partly because it would lead to development of a completely new turbine engine by Pratt and Whitney Canada.

The capital cost of the plant will be about $154m and the developing costs of the engine a further $252m. The Federal Government is contributing $165m to the manufacturing plant and the Quebec Government $110m, while making special provisions for the workers coming from other parts of Canada and from the U.S. to have unrestricted access to English-language schools. Ottawa will also put up $100m for the engine.

Bell pays a royalty of 2 per cent on the model 400, 400A and later 440 small helicopters to be built at Mirabel, and Pratt and Whitney Canada a royalty of 3 per cent on engine sales.

Construction has started, but the project will take two or three years to get off the ground.

In effect the Bell Canadian unit will have a world product mandate for the small Bell helicopters. The base of the future market remains military, but Bell says it has more than 200 firm orders for Mirabel production already.

A joint-venture of Fleet Industries, of Fort Erie, Ont., and Messerschmitt-Bolkow-Blohm, of West Germany, will produce the MBB BO 105 helicopter in Canada, some versions of which will have Pratt and Whitney Canada turbine engines. These technically-advanced aircraft have already won a major market niche in North America.

The joint venture will put up $38m and the Federal and Ontario Governments $35m. Fleet is a longstanding airframe component manufacturer.

Through the rest of 1984 and in 1985, the airframe builders will remain the major problem area, facing intense international competition for the Canadair Challenger executive jet and the DHC DASH7 and DASH8 STOL. Defence and commercial airframe subcontracting could help offset very tight margins on these aircraft.

Back in profit

CONTINUED FROM PREVIOUS PAGE

rebuild its fine paper mill near Sherbrooke, Quebec, and modernise further its Cornwall mill in eastern Ontario. In both bases, it has adequate hardwood pulp resources available. At Sherbrooke, capacity will be doubled.

Another fine paper machine is possible in Ontario and later another new machine in New Brunswick.

Fine papers have traditionally been a domestic market, but tariffs between Canada and the U.S. will decline to near zero by 1987 and the Canadian mills will specialise further and export more to the U.S.

Other segments of the industry such as linerboard, boxboard and tissue products are also primarily domestic markets and are now operating at near capacity with recovery in the manufacturing economy. But kraft wrapping papers continue their decline as they lose their markets to plastics.

The outlook for lumber during the rest of the year is directly geared to the U.S. economy and the course of interest rates. Prices were weak in April. There appears to be ample capacity to take care of any surge of demand that might occur later in this economic cycle.

Newsprint prices will rise to $535 (U.S.) on July 1 and basic bleached kraft softwood pulp to $540 (U.S.) per tonne, and producers feel that these levels will hold without discounting. U.S. newsprint consumption in the first quarter was up nearly 9 per cent and for the full year will show a gain of between 5 and 6 per cent, against 4.8 per cent in 1983.

Inventories of pulp and newsprint at the mills and in customers' hands have been shrunk by the British Colombia stoppage, and the U.S. newsprint industry is running virtually flat out. It is not surprising that some companies expect further price increases next January.

Canadian newsprint producers are less concerned now about the long dispute with the European Economic Community over duty-free shipments from Canada. Eastern mills moved about 700,000 tonnes to the EEC in 1982 and in 1983. The limit would be cut to 500,000 tonnes this year under a recommendation by European Commission.

Partly as a result of pressure from Britain and West German publishers, a compromise is thought possible later this summer.

Gold finds assure high-level output

A COMBINATION of the exciting gold discoveries made a couple of years ago at Hemlo in north-western Ontario, and prices for practically every other metal at the lowest levels for 50 years, has generated a gold fever in Canada unlike anything seen since the finds at Yellowknife in the Northwest Territories half a century ago.

The reality of Hemlo makes this quite understandable. Three mines are now taking shape there and together they will ensure that Canada remains the third biggest gold producer in the world—behind only South Africa and the Soviet Union—for years to come.

They will also do wonders for the profits of the three big groups involved, Noranda Mines, Teck Corporation and Lac Minerals, once they come into production over the next two or three years.

The activity is not confined to this particular remote corner of Ontario, either. Quebec remains the largest source of Canada's gold, with a total of 26 tonnes produced last year and more in prospect for this year.

A number of new mines have recently come into production, notably Bachelor Lake and Exploration Aiguebelle and most of the mature operations are expanding their output as fast as they can manage.

At Chibougamau, Northgate Exploration has effected a successful switch in the focus of its attention from the production of loss-making copper in order to boost the gold content of its concentrates, and is taking a serious look at three former producers now under its control.

Agnico-Eagle has expanded its operations at Joutel through the construction of a second shaft, and is also involved in the new Dumagami mine at Cadillac, near Val d'Or.

Elsewhere in Canada, Echo Bay Mines is steadily raising production from its young Lupin mine high in the Arctic terrain of the Northwest Territories, and even in Ontario there is considerable activity outside the Hemlo area.

Dome Mines has revitalised its 75-year-old mine at Timmins with the addition of a new shaft and a 50 per cent increase in processing capacity, and its subsidiary Campbell Red Lake, while boosting output at its own mine, has also played a significant role in bringing the Detour Lake venture into production.

Lac Minerals has also contributed, too, with a new shaft at its 50-year-old Macassa mine and increases in treatment capacity in order to extract the last ounce from several operations which were closed as uneconomic before the steep rise in the gold price of the late 1970s.

But it would be wrong to think that gold is all that glistens in Canada just now. The repeated oil price shocks of the mid-1970s added a new sense of urgency to the search for alternative fuels, and effected a complete rewriting of the profit parameters for potential energy-related projects.

Many of these new projects for the development of energy minerals worldwide have recently come into production, just in time to run into the comparatively weak oil prices of the early 1980s. The unfortunate timing has posed problems for a number of the world's new coal and uranium mines, but Canada seems somehow immune from the worst effects of the coincidence, perhaps because of its international reputation as a secure source of supply.

Mining

GEORGE MILLING-STANLEY

Canada has a long history as a uranium producer. Canadian material was used in the only two atomic bombs so far dropped in anger, at the close of World War II, but power generation is now the principal end-use.

The recent slump in free market prices, in the face of renewed environmental concern following the accident at Three Mile Island in the U.S., might have been expected to do considerable damage to uranium producers everywhere, and several have indeed suffered as a result.

However, only about 1-20th of the world's production is sold at the free market price, currently about U.S.$17.50 per pound, with the remainder being tied up in long-term contracts where the customers are prepared to pay a substantial premium to ensure continuity of supply over periods of perhaps 10 to 15 years.

New contracts running well into the 1990s are now being signed at prices of about $30 per pound, and there are still many years left to run on some contracts which were negotiated at much higher levels than that, about $50 per pound in some cases.

While they are mostly reluctant to disclose such commercially sensitive information, Canada's producers seem to have at least their fair share of the lucrative long-term contracts.

This was a reference to a deal done between Ontario's power utility and the then Preston Mines, now part of Rio Algom, for the long-term supply of uranium. The contract was signed at a time of exceptionally high free market prices, which have of course a bearing on contract prices, and it has enabled Algom to reopen the old Stanleigh mine at Elliott Lake, northern Ontario, simply to fulfill its side of the deal.

This particular arrangement is justifiably the envy of the remainder of the Canadian mining industry, but Algom is not complaining about the performance of its Panel and Quirke mines, also at Elliott Lake, either.

Elsewhere in Canada, the Government-controlled Eldorado Nuclear has just opened the big Key Lake uranium mine in Saskatchewan, with a production capacity of 12m lbs a year. Already half of this has been sold on contracts at an average level of around $30 per pound.

Japan's growing energy needs, compounded with its lack of domestic oil production, dictated the signing in 1981 of two massive deals with Canadian companies which led to the construction of the Quintette and Bullmoose coal mines in British Columbia, run by Denison Mines and Teck Corporation respectively.

Canada is indeed fortunate to be blessed with gold and energy minerals in abundance, and to have exploited them to such good effect over the past few years. The other main arm of the country's mineral resources, base metals, is only now beginning to see the end of a recession the like of which has not been experienced since the 1930s.

In real terms, prices for copper, lead, zinc and nickel have been languishing at their lowest levels for 50 years, and Canadian producers of these metals have been hit just as hard as those elsewhere.

Even among base metals, there are a couple of hopeful signs. Sherritt Gordon Mines announced recently that it was sufficiently convinced of the prospect of higher copper prices to continue operating its Ruttan mine in Manitoba, which was to have closed this month, and Rio Algom has perhaps gone one better by deciding to develop a mine in Nova Scotia producing a new metal for Canada. This is the tin prospect at East Kemptville, where production is scheduled to start next year.

It is the spread of minerals, and the aptitude for developing them at a profit, that is the key to Canada's success.

Consolidating in a turbulent climate

Banking

W. L. LUETKENS

CANADIAN BANKS are emerging in fair shape from the buffetting of the recession and the international debt crisis. Capital ratios have been improved and bankers believe that loan losses have reached their peak and will begin to decline this year or next.

What would upset things is a steeper-than-feared increase of U.S. interest rates. If the U.S. prime rate goes to 15 per cent or more, the scene would be radically transformed and the strain on both domestic and Third World debtors become hard to bear.

In the financial year to October 31 last the Big Five Canadian banks — Royal, Bank of Montreal, Canadian Imperial Bank of Commerce, Toronto-Dominion and Bank of Nova Scotia—experienced loan losses of C$2.7bn (about £1.5bn or US$2.1bn). Their non-performing loans added up to C$8.7bn.

This category of loan is not assessed on the same basis by all the banks. At a rough estimate, total problem loans in the entire bank system amount to some 3-4 per cent of aggregate assets of C$370bn.

The larger part of the problem loans is in the banks' domestic books: Dome Petroleum and Massey-Ferguson are the obvious cases. But their problems have at least been controlled for the time being by refinancings. If the problem companies survive, then the banks can eventually hope for their money. The danger that loans made to Latin America will have to be written off in part is considered much greater.

Taking the overall picture, however, the worst is over, always provided that interest rates do not get out of hand again. Canadian banks make their provisions against losses on the basis of a five-year moving average of their actual loan loss experience. This year or next losses should fall below the average provision. The effect of that is to permit the internal generation of reserves though, admittedly, at the expense of declared income.

Improving

Such a strengthening of balance sheets should be welcome, even though capital ratios have already been improving. During the last year of account, taking an average capital improved from 1/32 to 1/28th, of aggregate assets and the process has continued. During the last three months alone, the banks have been able to raise C$1.2bn in equity instruments of one kind or another.

This process of consolidation does also have another, less welcome reason. There has been almost no growth worth mentioning in the aggregate assets of the banks for some two years. Domestic credit demand has been flat. By this spring there were a few signs that the trend might be improving, but there could be no certainty.

Mr Terry Shaunessy, of Gardiner Watson in Toronto, estimates that during the next two years asset growth will be in the 3-5 per cent range at best. Even that could easily be upset if interest rates go up steeply.

Consolidation in the banks' daily affairs contrasts strongly with the turbulence in the structures of the financial world. Competition is increasing steadily between the several sectors of the system. Banks and trust companies have encroached upon the supposed preserves of dealers in securities: foreign bankers are increasingly making their influence felt: trust companies and banks are fighting each other for retail deposits: investment dealers pay money market rates for clients' working balances.

At the moment the investment dealers are in the eye of the storm. They are a group of corporate underwriters and brokers who feel their brokerage business to be threatened by an innovation made by Toronto-Dominion Bank. The TD is offering clients a service gathering brokerage orders which it channels to a discount broker. Houses offering full brokerage services feel that they are liable to lose business as a result.

Given this intrusion into what had previously been a protected area, it is not surprising that investment dealers are looking for means to strengthen their own position. Mergers are in the air. An especially big one, already agreed, has united Dominion Ames Securities and Pitfield Mackay as Dominion Securities Pitfield, displacing Wood Gundy as the largest Canadian investment house.

An even more interesting, international deal that would have set up a joint venture of Daly Gordon, a Toronto house, and Bruxelles Lambert, has been held up pending clarification of an issue of principle. Under existing rules the Ontario Securities Commission will not register a securities dealer with more than 25 per cent foreign ownership, no single foreign stake to exceed 10 per cent. Registration is not required for dealing in the wholesale market in trades of at least 100,000 shares.

Under the propoted Daly Gordon-Bruxelles Lambert deal two companies were to be formed. A wholesale dealer in which the Belgians would hold 40 per cent of the stock: and a regulated dealer in which they would hold 10 per cent only. The Toronto Stock Exchange has refuse d its approval pending a clarification of the entire future shape of the industry. Public hearings are to be held on that issue beginning in September.

Canadian banks already have to put up with the competition of foreigners in their own backyards. The formation of foreign-owned banks has been permitted since 1980, and long before that they were active in Toronto as wholesale banks in all but name.

Under existing legislation foreign-owned banks are limited in their activities: their aggregate domestic Canadian assets must not exceed 8 per cent of the aggregate assets of the banking system overall. That ceiling has almost been reached and the two main political parties are supporting a Bill designed to raise the ceiling to 16 per cent. But parliamentary time is short and there is no telling whether the Bill can go through before the next dissolution of the Canadian parliament.

Revision

There is no prospect that the present parliament will get round to an overdue revision of legislation governing trust and loan companies. This type of financial institution originally handled fiduciary business and mortgage lending.

The trust companies have by now also become retail banks in all but name, taking current account deposits and giving access to money transfer services. They have strictly limited powers of commercial lending—an area in which they would like more freedom because it would give them more variable interest assets at a time of volatile interest rates.

The so-called four pillars of the Canadian financial system — banks, trust companies, investment dealers and insurance companies — still stand separately, though their functions are no longer always clearly distinguishable. On the whole the changes have served the cause of efficiency and competition. There are those who believe that the distinctions will ultimately vanish altogether.

If so, it will take time. Not only do the institutions jealously guard their positions. The regulatory regimes are partly federal, partly provincial. Agreement between these two levels of government is not easily achieved.

PROFILE: RICHARD THOMSON OF TORONTO-DOMINION

Tight control and quick decisions

NORTH AMERICA'S banking troubles seem far removed from a vast corner office on the 11th floor of Toronto's TD Centre where Mr Richard Thomson, chairman and chief executive officer of the Toronto-Dominion Bank, confides: "Morgan Guaranty is the only other bank in North America more strongly capitalised, so we're certainly in good shape."

That is no idle boast. With assets of C$45m at the end of April, Toronto-Dominion is the smallest of Canada's "Big Five" banks, but is the favourite of most Canadian analysts. Its return on assets was higher than that of all its Canadian—and most of its U.S.—rivals last year. Only Bankers Trust among major North American institutions can boast a higher rate of earnings growth over the past five years. Toronto-Dominion reported net income of C$88.9m for the three months to April 30, 8 per cent higher than for the same period last year. Mr Thomson expects profits to continue rising for the rest of 1984, thanks to tight cost control and the continuing business upswing in Ontario, where 60 per cent of the bank's business is concentrated.

Next year may be more difficult if forecasts of a slowdown in the U.S. economic growth rate prove correct. Mr Thomson expects U.S. prime rate to rise to 14 per cent. TD's declared profits will also be dented by larger bad debt provisions, which in Canada are calculated on the basis of a five-year moving average. Actual loan losses have begun to decline, Mr Thomson says.

TD's impressive growth has gone hand-in-hand with an unusual degree of management stability. Mr Thomson was named president of the bank 12 years ago and chairman in 1978. Aged 50, he is still the youngest chief executive of any major Canadian bank. TD has suffered little of the management upheavals which have troubled Canadian Imperial Bank of Commerce (where Mr Thomson's father was a vice-president) and Bank of Montreal in the past few years.

Since the Toronto Bank and the Dominion Bank joined forces 34 years ago, it has shied away from mergers and takeovers. Even now its ambitions are limited. "We are known as the well-balanced bank," Mr Thomson says, forecasting that, despite the controversial move last February to give customers access to discount brokerage services, TD's make-up will not change radically over the next few years. It will continue to rely for the bulk of its business on commercial and personal banking in Canada, corporate lending in North America and western Europe and the international capital market. TD is unlikely to contemplate a stake in a London stockbroking firm. According to Mr Thomson, "we're not in the retail business outside Canada."

He insists that the Green Line brokerage service was a defensive move, not a precursor to greater involvement in securities trading or underwriting in Canada.

TD's character is in some ways an extension of the personality of its chairman, who is known for his taut self-discipline, dislike of extremes and his quick decisions. Nonetheless, Mr Thomson—like his bank—can spring the occasional surprise. According to The Money Spinners, a recently published book on Canada's banks and the men who head them, TD's chairman has been known to demonstrate yo-yo tricks at parties, showing off the skills he learned while working as a teenager in a Winnipeg department store.

Bernard Simon

CANADA 7

Canada's regions offer a variety of contrasts. Key events in four of them are highlighted here and on page 8

State of economy a key to election result

Ontario

BERNARD SIMON

ONTARIO IS Canada's industrial heartland, where almost 40 per cent of the country's population lives, where almost half of its manufactured goods are produced and where 43 per cent of its exports originate. Voters in the province elect one-third of the members of the federal parliament and their choice will thus be a key factor in determining the outcome of the next general election.

Ontario voters have tended to be a volatile lot in federal elections, but on the provincial level, the Conservative government of Mr William Davis remains firmly in the saddle. The Tories have been in power continuously since 1943 and Mr Davis has been premier for the past 13 years.

Many of his advisers have urged him to call an election for May-June this year to distract attention from the Liberal leadership race, but Mr Davis (whose popularity, according to the opinion polls, is at a peak) has kept his counsel. He may be hoping that a Mulroney government in Ottawa will boost his support even further in the next year or two, although a moderate provincial budget in mid-May—with no tax increases and some improvements in social welfare programmes—has again fuelled speculation that an election is imminent.

Ontario, bigger than France and Spain put together, has a great diversity of population, ranging from the auto and steel workers in the extreme south, to the urban middle-class and ethnic minorities of Toronto, and the rural farming and mining communities of the west and north. The way these groups vote in the next election, federal and provincial, is likely to depend heavily on the state of the province's economy. However, that truism gives little guidance for those hoping to predict which way the province's vote will go. The economic picture is almost as confusing as the political one, varying greatly from region to region, industry to industry, with short-term prospects in many cases very different from long-term ones.

Unemployment is among many examples of wide disparities within the province. The London area, south-west of Toronto, where much of Ontario's manufacturing base is located, has the lowest unemployment rate in Canada—about 8 per cent. But in Sudbury, just 250 miles away, almost one in five people are out of work, reflecting the recession's toll on nickel and other mining activity in the area.

Although Ontario has half the world's nickel reserves and the West's biggest uranium deposits, its economy for the time being is based on manufacturing and service industries. The main manufacturing sectors are motor and other transport equipment (which are heavily oriented to the U.S. market), electrical products, rubber articles (mainly tyres) and plastics.

Communications

Manufacturing contributes close to 30 per cent of the province's domestic product, compared with only 4 per cent from all primary industries. Services, including finance, tourism and communications, make up about 60 per cent of the total output.

Because many Ontario-based companies have sizeable markets south of the border, the province has benefited more than most other parts of Canada from the upswing in the U.S. economy. The ultra-modern plant which produces Chrysler's hot-selling mini-van is located in Windsor across the border from Detroit, and the other three major U.S. motor manufacturers also have assembly lines in Ontario. The value of manufactured goods rose by 10.3 per cent last year, boosted largely by a 25 per cent surge in sales of transport equipment. On the other hand, the textile, clothing and wood industries are among those still in the doldrums.

Ontario's overall output grew by 3.6 per cent in 1983 (slightly higher than the national average) and according to a recent report by the Royal Bank: "We expect the Ontario economy to outperform the national average in 1984, before fading somewhat in 1985." A growth rate of 5.8 per cent is forecast for this year and 2.8 per cent for 1985. The main impetus is likely to come from a double-figure increase in retail spending and the continuing strength of exports. Capital investment is unlikely to recover significantly before 1985, but the province is banking on a general upturn in business activity to contain a sizeable budget deficit without tax increases.

Over the longer term Royal Bank expects the province's gross domestic product to move up by an average of 3.4 per cent a year to 1992, about the same as the country as a whole. The outlook would be gloomier were it not for the prospect of income from the new Hemlo and Detour Lake gold mining areas.

Hopes are also high that another victim of the recession, tourism, will recover robustly over the next few years. The number of visitors from the U.S. slipped from 28m in 1981 to 22m last year, but visits later this year by the Pope and the Queen as well as a series of events to commemorate Ontario's 200th anniversary and Toronto's 150th should help fill hotels and restaurants.

Ontario is unashamedly trying to encourage an inflow of foreign investment. According to the province's Minister of Industry and Trade, Mr Frank Miller: "We know we need and therefore welcome foreign investment. We are more interested in the potential economic benefits than in the origin of the funding." Promotion efforts are currently centred on the U.S., UK, France, West Germany and Japan.

Among the government's priorities are investment in the automotive industries and in high-technology sectors.

Besides a number of federal assistance schemes, the provincial authorities offer loans at a rate of about 1.5 percentage points below the cost of bank finance. Principal payments can be deferred for up to five years and interest payments are sometimes cancelled. The provincial government also helps guide foreign investors through the Foreign Investment Review Agency's application process. Nonetheless, the carrots for setting up business in Ontario are generally less juicy than those offered by some other provinces.

Federal government programmes are less generous, for the obvious reason that Ontario's location, infrastructure and lifestyle in themselves help to attract foreign business. The Ontario government recently turned down a request by Lucas Industries of Britain for a C$20,000 grant to help cover the cost of a market survey for a small plant to assemble sparkplug wires. The investment still went ahead.

Efforts to attract foreign capital have had considerable success. New ventures include a helicopter plant to be built by the German company Messerschmidt-Bulkow-Blohm, a catalytic converter factory built by Degussa and a facility to produce disposable lighters owned by the Japanese company Tokai Seiki.

Unemployment, inadequate social services and the economy in general will be key issues in the forthcoming federal election, and Ontario's Liberals and Conservatives will be having a field day blaming each other for the present state of affairs.

Struggle to escape the poverty trap

Atlantic provinces

PARKER DONHAM

CANADA'S FOUR Atlantic Provinces share a dependence on the sea, a standard of living far below the national average, and a well-developed sense of grievance at being the poor sisters of the Canadian confederation.

All of these qualities are sharpest in Newfoundland, the large, rocky island off Canada's east coast that was the earliest North American landfall for European explorers (the Vikings in about the year 1000), and the latest province to become part of Canada (in 1949 after a fiercely contested and narrowly-won referendum).

With a per capita income of C$8,580 (against a national average of C$12,839) and an unemployment rate of 21.3 per cent (the national rate is 12.1 per cent), Newfoundland's 569,000 inhabitants are the poorest in Canada by a wide margin.

Brian Peckford, Newfound's aggressive 42-year-old premier, has spent his five years in office fighting to end the province's dependence on transfer payments from the federal government by achieving greater provincial control over offshore oil and gas resources, fisheries and hydro-electric power. Unsuccessful in negotiating the increased authority he seeks, Mr Peckford took two of his campaigns to court—and lost both.

In May, the Supreme Court of Canada overturned a Newfoundland law to abrogate a disastrous long-term contract under which the province annually sells 34.5bn kilowatt-hours of hydroelectric power to Quebec at a fraction of its market value. Peckford's government contends that Hydro-Quebec, the Quebec government power utility, earns $800m a year reselling its electricity, while Newfoundland receives only about $8m under prices set in 1969, before the oil shock sent energy costs soaring.

Last autumn, the Supreme Court rejected Newfoundland's claim to jurisdiction over mineral resources on the continental shelf, where a major oil discovery in 1979 sparked hopes of brighter future for the province's economy. Recent drilling has lowered estimates of the Hybernia Field from the hoped-for three billion range (=British three milliard) to something over one billion, but last month (May) there were signs that Petro-Canada, the federal Crown oil company, had discovered another major field.

The transition from exploration to development has been held back by the court battle and the extremely bitter federal-provincial wrangling that surrounds it. At the heart of the dispute is the Peckford government's desire for offshore oil to free the province from centuries of poverty, as offshore oil (legally a provincial resource) did for the western province of Alberta. Newfoundland wants the development to be slow, gradual, and tightly controlled by government in order to achieve maximum local economic benefits. Ottawa, anxious for its much maligned National Energy Program to succeed somewhere and beset by the rising cost of oil imports, wants development to proceed as rapidly as possible. So far, however, market conditions are against speedy development.

In neighbouring Nova Scotia, the six-year-old administration of Premier John Buchanan, an affable 53-year-old lawyer, faces a $2bn provincial debt that is rising rapidly. Anxious for new revenue, Nova Scotia shares Ottawa's desire for rapid offshore development. The contrast between Nova Scotia's laisser-faire attitude to the oil companies and Newfoundland's interventionist approach has often been compared to the respective North Sea development philosophies at work in Scotland and Norway.

Control

While Newfoundland and Ottawa feuded, Nova Scotia and Ottawa signed an offshore agreement that ceded control of development to Ottawa, while leaving most of the tax revenue to the province. In response, the major oil companies virtually abandoned exploratory work off Newfoundland, and flocked to Nova Scotia, depite the fact that only one minor gas field has been discovered off that province's coast. (Since the Supreme Court ruling, rigs have begun returning to Newfoundland's Grand Banks.)

All this drilling activity helped carry Nova Scotia through the recession in better shape than most Canadian provinces. Its 852,000 residents enjoy the highest per capita income in the region ($10,090) and the least high unemployment rate (14.7 in April).

Prosperity is limited almost exclusively to the capital city of Halifax and its suburbs. The northern industrial region of Cape Breton remains severely depressed, with an unemployment rate of 23 per cent.

Nova Scotia's economic hopes rest heavily on three major projects: a proposed C$3bn offshore gas development awaiting confirmation by Mobil Canada that enough gas actually exists at the site; a C$2bn programme to develop three new undersea coal mines in Cape Breton (Ottawa recently committed itself to fund one of the three); and a far more speculative, C$6bn-C$10bn project to harness the highest tides in the world, in the Bay of Fundy.

All four Atlantic provinces are waiting anxiously to see whether a recent restructuring of the region's fishery, the world's largest, will extract the industry from a crisis brought on by rising costs and falling world prices. A two-year inquiry into the industry headed by an influential lieutenant to Prime Minister Pierre Trudeau resulted in the creation of two large processing concerns from the wreckage of several smaller companies.

In tiny Prince Edward Island, a pastoral province of 123,000, known quaintly as The Garden of the Gulf, the economy rises and falls with the price of fish and potatoes. Currently, potato prices are up, fish prices down. At C$8,580, per capital income runs slightly ahead of Newfoundland, the unemployment rate of 17.8 per cent slightly behind.

In New Brunswick, a heavily-forested province sandwiched between Quebec and the State of Maine, Premier Richard Hatfield's administration is in its 14th year, making him Canada's longest-sitting provincial premier.

As a Conservative, Hatfield enjoys the loyalty of the province's English - speaking majority, descendants of the United Empire loyalists who fled New England after the American Revolution. But he has extended his electoral base by appealing to the traditionally liberal, French-speaking Acadian minority with a firm policy of official bilingualism.

Although slightly less reliant on fishing than the other Atlantic Provinces, New Brunswick is even more heavily dependent on forest industries. Many of the province's pulp and paper mills shut down throughout 1982 and early 1983. Recovery took hold late last year, however, and both production and prices are up sharply this year.

The East once was the economic and political centre of British North America. It lost its position as Ontario and Quebec became the manufacturing centres of Canada. Hopes that offshore gas and oil would redress the balance have so far not been fulfilled.

A people fights to survive

Quebec

ROBERT GIBBENS

QUEBEC this summer is making a great deal of Jacques Cartier's transatlantic voyage from St. Malo in 1534. But the fête is really about French Canada's remarkable fight for survival in an English-speaking Continent.

The celebrations are centred on Quebec City, seat of the provincial Government and blessed with an architectural and maritime heritage more than worthy of the St. Malo connection. The Frenchness of Quebec City has never really been challenged, even after the English Conquest in 1759.

For generations Quebec City has looked down a little on populous Montreal, the undisputed economic hub of the province, still sporting some of the mansions of the great 19th Century Scottish merchant families. The fight for survival has been waged in Montreal where French Canada has always met face-to-face with the rest of North America, while trying to retain tenuous lines of communication with its European past.

The Parti Quebecois, now the government party of the province, was formed from a score of separatist and independentist groups in Montreal, feeding on the language and social tensions of a city of 3m. The swing in public opinion that brought its leader, Mr Rene Levesque, to power in 1976, occurred in Montreal.

Francophones make up about 80 per cent of the 6.5m population of Quebec, and the conflicts of the past 20 years have won them a rightful economic and cultural place in Montreal. The city has become visibly much more French, even in the western suburbs where francophones account for about one-third of the population now.

The process has been painful, sometimes tragic, narrowly avoiding conflict at times and occasionally comic. Thousands of postwar immigrants from Italy and Greece could look on in bewilderment as anglophones and francophones quarrelled noisily.

Quebec inherited a territory of almost 600,000 square miles, consisting mainly of the barren-looking Canadian Shield but also including nearly 1,000 miles of the fertile St. Lawrence Valley where the early immigrants from France settled. There were no roads and people needed the river to travel.

Quebec's portion of the great Canadian Shield later yielded gold, silver, copper and zinc, and the black spruce which makes the world's best paper-making pulp; the St. Lawrence became a major transport route to the heart of North America; and other rivers were harnessed to generate cheap power required for manufacturing.

Montreal became an entry point to North America from Europe, a major international trading centre, an international port and a base for rail, road and air transport.

At the peak in the late 1960s Quebec accounted for well over 25 per cent of Canada's total population and almost 30 per cent of its output. The Ottawa of the then federal Prime Minister, Mr Lester Pearson, had wanted to draw French Canada into national and continental affairs during the 1960s and even talked of special status for Quebec so that it could meet its aspirations.

But it could not resolve the old conflict in Quebec between those who looked outwards and those who felt they could benefit by isolation. In the immediate post-war years, the Quebec Premier, Maurice Duplessis, had tried to bridge the chasm by traditional-type Quebec nationalism, upholding the claims of a conservative and upright Quebec against a greedy centralising Ottawa.

His idea faded in the social revolution of the 1960s with the virtual expulsion of the Catholic orders from the education system, the decline of the church and of the old agrarian economy. The conflict swiftly became noisy and political. The tensions were expressed by Quebec's solid support for Mr Pierre Trudeau, a centralist Prime Minister at the federal level, while electing Mr Levesque and his separatist Parti Québecois to power in the province.

In 1977 Mr Lévesque served up tough French-first legislation. Anglophone and international business people were ready to accept much of it, as long as they could do business outside Quebec in English, but restrictions imposed on access to the publicly-financed English school system, laws tending to favour trade unions, rising taxes, and the constant harping on political independence were too much. Many head offices left. Others lost whole departments to Toronto, leading to a loss of about 100,000 people for Montreal.

Shortly after Mr Lévesque was re-elected in 1981, Quebec with the rest of North America plunged into the deepest recession since the 1930s. The provincial economy suffered a 6 per cent real drop in output in 1982, lost about 150,000 key manufacturing jobs. The officially stated unemployment rate went over 15 per cent.

The province's narrow economic base, its strong reliance on primary industries such as mining, pulp and paper and farming, and on older manufacturers such as textiles, shoes, furniture, heavy machinery and shipbuilding, was suddenly exposed.

Quebec was already running a C$3bn budget deficit, much higher than Ontario's, and with the recession biting into revenues, the Government had to put the screws on public-sector spending. It meant a long confrontation with the public-sector unions. The Finance Minister, Mr Jacques Parizeau, eventually won a wage standstill and manning cuts.

Mr Parizeau has been able to hold the budget deficit and put more funds into the private sector to speed recovery and job creation. With the help of federal programmes and the resurgence of the U.S. economy, Quebec achieved a good turnround in 1983 and this year should attain real growth of about 4 per cent.

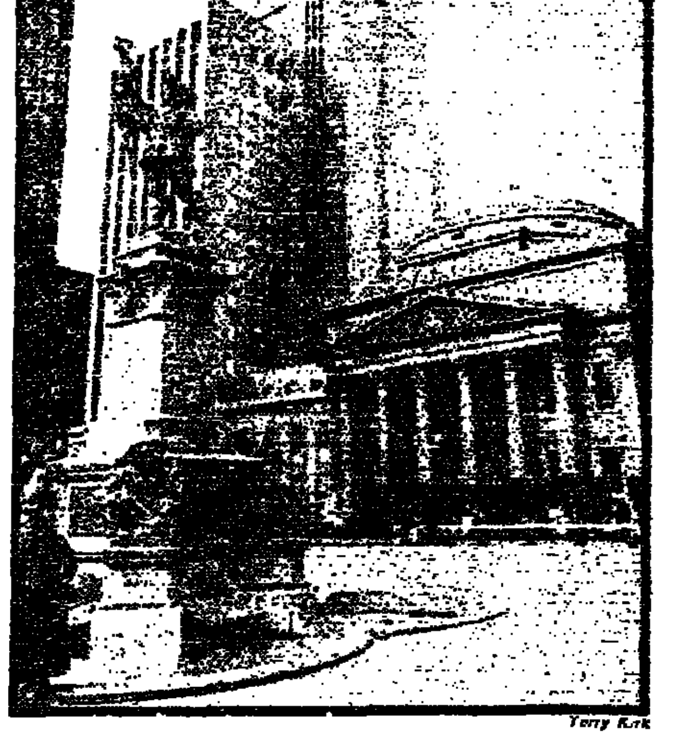
The Government, feeling its lack of popularity in the polls, has been talking up the private sector and its role in creating jobs, providing support programmes for small and medium-sized companies, and subsidies for high-technology investment. Investors in Quebec-based companies get generous tax shelters.

But the impact of two oil crises and Brazilian competition have devastated the iron ore industry of Quebec-Labrador, and half the population has been forced to leave. Only recently have there been signs of stabilisation. The asbestos mining and processing industry is still declining.

To compensate for some of these problems, the Government is ploughing nearly C$500m into a C$1.5bn Pechiney aluminum smelter near Montreal and a Bell-Textron helicopter project also near Montreal. It is paying for a feasibility study for a Kaiser Aluminum Corporation smelter proposed for Sept Iles, the depressed iron ore port. Hydro-Quebec offers half-rate power for almost any industrial expansion in the province.

The last three polls have shown the PQ trailing badly behind the Quebec Liberals, and Mr Levesque has fudged his undertaking that the next election will be fought on the issue of independence. Mr Robert Bourassa, the Liberal Prime Minister defeated by the PQ in 1976, has made an impressive comeback in regaining leadership of his party.

Hardcore electoral support for independence has never gone far above 20 per cent, while the younger better-educated quebecois appear to be more interested in building their careers in the private sector than in going into politics or the civil service. The Government knows this, and some of its best supporters are losing patience.



Terry Kirk

Montreal, where French and English meet: Statue to de Maisonneuve (died 1676), first French governor of the settlement, in front of the classical offices of Bank of Montreal an English foundation of the 19th century.

Cauldron of economic experiment

The West

ROBERT SHEPPARD

WESTERN CANADA'S once-thriving economy is struggling more slowly than others to throw off two years of recession, its progress hampered by an unusual degree of political strife.

From the ascendency of new right economics in British Columbia, recently teetering for a time on the verge of a general strike, to the perennial issues of freight rates for prairie farm goods and bilingualism in Manitoba, there is a sense of realignment in the social and economic structure of Western Canada. The feeling is heightened by continuing tough economic times.

A recent forecast by the Conference Board of Canada predicts the two westernmost provinces, British Columbia and Alberta, which together accounted for more than one-third of Canada's overall growth in the 1970s, will continue to trail far behind the rest of the nation in economic development for the rest of the year. No growth at all is expected in Alberta this year, still better than 1982 and 1983 when economic output fell by 4 and 3 per cent respectively. British Columbia expects a meagre 0.7 per cent growth, revised significantly downward from earlier forecasts.

Saskatchewan is next at the bottom of the ladder with a forecast 2.4 per cent growth rate this year; Manitoba, often out of step with its western cousins, is nearer the top of the pack with 4.5 per cent expected growth, though this on the weakest overall economy of the four.

The figures, however, do not tell the full story. In recent months Western Canada has become a kind of cauldron of social and economic experimentation. Alberta, for example, plans to turn over some of the administration of the hospitals system to private enterprise.

Its once flourishing construction industry now in the doldrums—Calgary currently has the equivalent of two 50-storey office towers totally vacant—the West has also become a battle-ground between union and non-union forces. Large contractors are demanding major concessions, including reduced wages and fringe benefits, from unionised employees. At least three governments are backing them with policies or threatened legislation to open the bidding process further to non-union companies, weakening organised labour's hold on construction sites.

Perhaps the most fundamental change to the Western scene hinges on the newly passed and bitterly contested amendments to grain freight rates. While the impact is not yet known, it is clear that prairie farmers, the bulwark of the western economy for decades, will be paying heavily this year towards improving the prairie rail system—and this at a time when grain prices are depressed.

Leading Liberals and Conservatives preparing for a forthcoming federal election are hinting at new energy policies that would return much of the oil and gas exploration to the traditional energy provinces of Alberta and Saskatchewan and away from the costly offshore and arctic regions.

Throughout the recession period, the western provinces enacted fiscal policies which were classicly Keynesian, running up deficits and priming the economy with public works. Now they perceive the economy to be on the mend, they are turning over the levers to the private sector, in some cases with a vengeance that has had its effect on the social fabric. Despite the great resource of wealth of this region there are soup kitchens in dozens of western cities as various governments attempt to dismantle the welfare state.

The most rigorous of all is the William Bennett administration in British Colombia. Last July it began cutting services, limiting the bargaining power of organised labour. Its stark plan to "downsize" the provincial public sector by 25 per cent led to massive protests and a 13-day strike late last autumn by about 78,000 workers. A province-wide general strike was averted by a three-month imposed cooling-off period over Christmas.

In neighbouring Alberta, the thrust has been much the same but the approach is softer. Somewhat unexpectedly, and for the third year in a row, the Peter Lougheed Government raided its accumulated reserves to stave off tax increases or cuts in its first class medical and educational services. It is also maintaining a large public works programme, in excess of C$3bn, the greatest of any government in the country, including Ottawa—to help ease double-digit unemployment.

At the same time, though, it is cutting civil service jobs, threatening legislation to curb the powers of organised labor, deregulating industry procedures, and turning over more government services to private operators.

Alberta is relying in large part on construction in the Alberta oil sands region (about C$3bn-5bn over the next few years) and construction of facilities for the 1988 Calgary Winter Olympics to help lift it from the doldrums.

Saskatchewan is enjoying a modest boom in oil and gas activity because of a royalty holiday instituted by the new Conservative regime late last fall. It is the only province not to experience double-digit unemployment throughout the recession. Consumer spending therefore has held up and there have been fewer business bankruptcies. Saskatchewan was also more stable because of relatively high farm receipts during this period.

That cushion, however, may be in jeopardy, with the new policies obliging western farmers to pay a larger share of prairie freight rates.

Manitoba is in a similar position. Though affected by the recession, particularly by the return of younger workers from the harder hit resource provinces further west, it too has had a relatively stable retail trade, if only because it did not have forestry and base metal sectors to be blighted.

The Manitoba economy has been propped up by federal largesse because Manitoba is the only western province to have returned any Liberals in the last federal election. The Liberals know that they must hold and expand this base if they are to win the next Federal general election.

Mr Howard Pawley, the premier of Manitoba, arguably has the cosiest relations of any western premier with the Ottawa Government, but that is not always of great benefit. Manitoba was wracked by intense internal divisions over language policies earlier this spring when the Premier, with Ottawa's perhaps overzealous help, tried to resuscitate the use of French as the second official language in the province. That problem has bedevilled the courts and various political leaders ever since 1870, when Manitoba became a Canadian province. In the face of intense local opposition Mr Pawley had to drop his plans.

The primary concern in the West, however, rests with the economy. When oil and other resource prices soared in the 1970s, the West appeared to be taking over leadership in Canada. Those days now seem to be very far off.